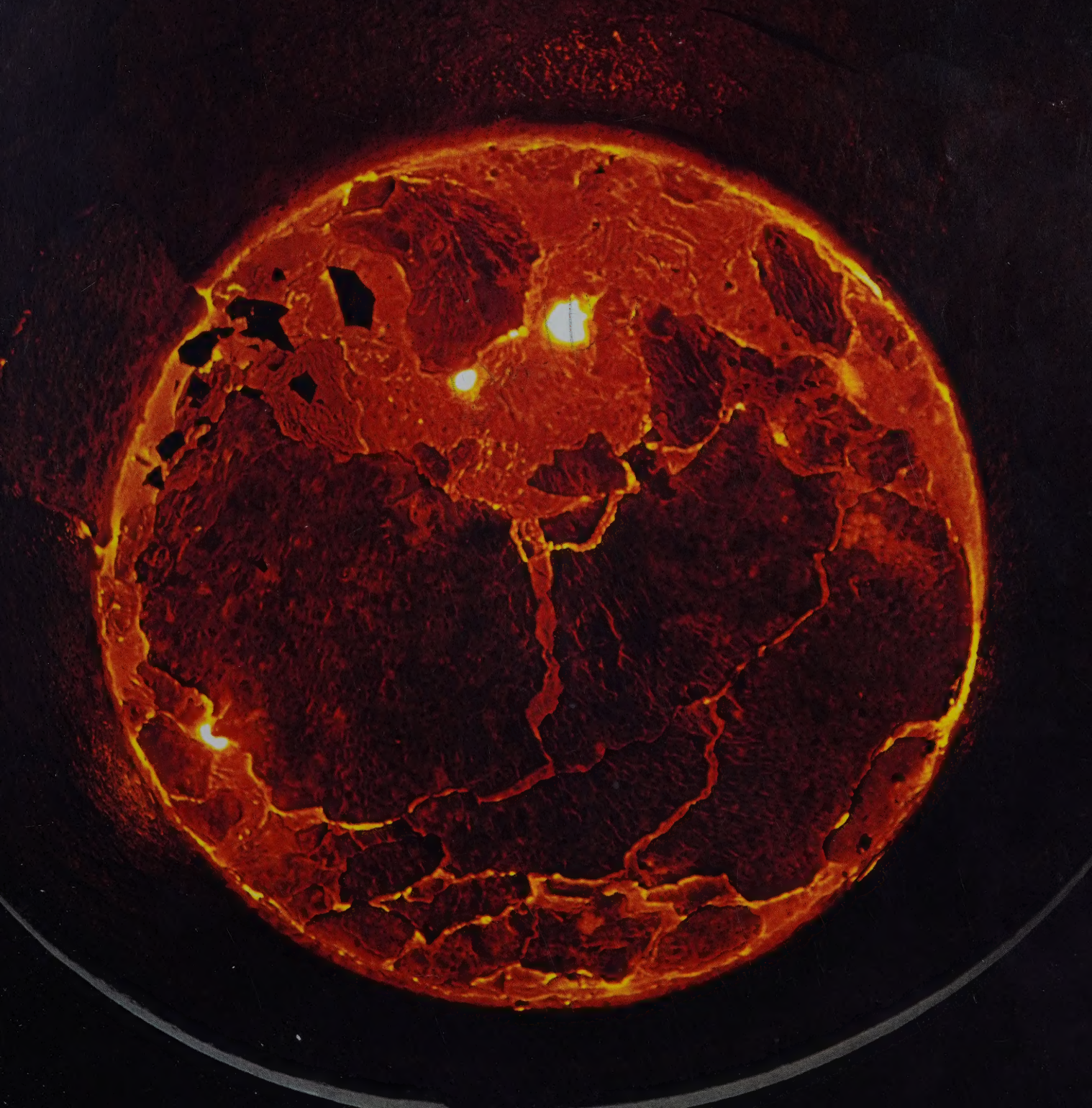


stelco

AR26

Annual Report 1980



Contents

Highlights	1
Chairman's Report	2
President's Report	4
Sales and production	4
Net income	4
Dividends	4
Financial position	4
Inflation	6
Shareholders	8
Marketing and corporate planning	8
Raw materials	8
Operations	10
Energy conservation	14
Associated companies	14
Lake Erie Works pictorial report	15
Employee relations	19
Technology	19
Environmental control	20
Lake Erie Works	20
Financial Statements	22
Notes to Financial Statements	25
Auditors' Report	30
Statistical Summary	31
Directors and Officers	32
Corporate Directory	33

stelco

Stelco Inc. was formed in 1910 as The Steel Company of Canada, Limited when several steel companies in Ontario and Quebec merged their operations so that full advantage could be taken of the strides in 20th century steelmaking technology. In 1910, the Corporation accounted for about 10% of the country's steel ingot production. Today, Stelco is Canada's leading steelmaker, producing approximately 35% of the nation's steel.

Cover

Like that of some distant sun, the fiery glow of a ladle of molten iron from the Lake Erie Works blast furnace marks the dawn of a new era in Canadian steel-making. The long-awaited commissioning and dedication of LEW stands as Stelco's crowning achievement of 1980.

Pour obtenir un exemplaire de la version française de ce rapport veuillez écrire au secrétaire, Stelco Inc.
C.P. 205, Toronto-Dominion Centre,
Toronto, Ontario, M5K 1J4.

stelco

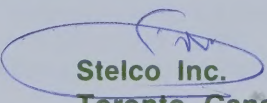
stelco

Proceedings at the
Annual and Special
Meetings
of Shareholders
Monday, April 21, 1980

***Quarterly Report
to Shareholders for
the period ended
June 30, 1980***

This message was mailed to shareholders with
their dividend cheques of August 1, 1980.

The Steel Company of Canada, Limited
Toronto, Canada.



Stelco Inc.
Toronto, Canada

Earnings reinvested in the business

%

4

%

100

stelco

Stelco Inc. was formed in 1910 as The Steel Company of Canada, Limited when several steel companies in Ontario and

**THE
STEEL COMPANY OF CANADA,
LIMITED**

The following is a summary of the business transacted at the Annual Meeting and a Special General Meeting of Shareholders, the Special Meetings of Class A and Class B Convertible Shareholders and the meeting of Preferred Shareholders as a class, held at Toronto, Canada, on April 21, 1980.

Mr. J. P. Gordon, Chairman of the Board and Chief Executive Officer, was Chairman of the meetings and Mr. J. W. Younger, Q.C., Vice-President, Secretary and General Counsel of the Company, was Secretary.

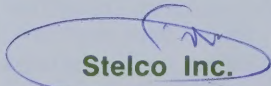
The Chairman reported that the following percentages of the various classes of shares were represented at their respective meetings either in person or by proxy:

Annual and Special General Meeting	64%
Special Meeting of Class A Convertible Shareholders	65%
Special Meeting of Class B Convertible Shareholders	40%
Meeting of Preferred Shareholders as a class	59%

stelco

**Quarterly Report
to Shareholders for
the period ended
June 30, 1980**

This message was mailed to shareholders with their dividend cheques of August 1, 1980.


Stelco Inc.
Toronto, Canada

The minutes of the Annual Meeting of Shareholders held April 23, 1979 were approved.

The Directors' report to the shareholders and the financial statements for the year 1979 were approved and adopted.

The following Directors were elected:

John D. Allan

Alex E. Barron

A. Jean de Grandpré, Q.C.

Thomas M. Galt

J. Douglas Gibson, O.B.E.

J. Peter Gordon

A. J. MacIntosh, Q.C.

Senator The Hon.

Ernest C. Manning, P.C., C.C.

Frederick C. Mannix

William F. McLean

D. R. McMaster, Q.C.

Lucien G. Rolland

Henry G. Thode, C.C., Ph.D., F.R.S.

Kenneth A. White, C.D.

William H. Young

Thorne Riddell were appointed auditors for the ensuing year.

At the Annual and a Special General Meeting of Shareholders of the Company By-laws No. 26 and No. 27 were sanctioned without variation by more than two-thirds of the votes cast. By-law No. 26 relating generally to the

transaction of the business and affairs of the Company and By-law No. 27 respecting the borrowing of money, the issuing of securities and the securing of liabilities by the Company will come into force on the date of the issue of a Certificate of Continuance to the Company continuing the Company under the Canada Business Corporations Act and will, as of that date, repeal the existing general and borrowing by-laws of the Company.

At the Special Meetings of Class A and Class B Convertible Shareholders and the Meeting of Preferred Shareholders as a Class the Special Resolution authorizing the Directors to apply for a Certificate of Continuance pursuant to the Canada Business Corporations Act continuing the Company under such Act under the name Stelco Inc. and approving Articles of Continuance was passed by a majority of more than two-thirds of the votes cast by the Shareholders who voted in respect of the Special Resolution.

At the Meeting of Directors after the shareholders' meetings, the following officers were elected or appointed:

stelco

Quarterly Report to Shareholders for the period ended June 30, 1980

This message was mailed to shareholders with their dividend cheques of August 1, 1980.



Stelco Inc.
Toronto, Canada

J. P. Gordon
*Chairman of the Board
and Chief Executive Officer*

J. D. Allan
*President and
Chief Operating Officer*

A. J. Harris
*Vice-President, Engineering,
Research and Procurement*

R. E. Heneault
Vice-President, Administration

G. H. G. Layt
Vice-President, Operations

A. R. McMurrich
*Vice-President, Marketing and
Corporate Planning*

H. J. M. Watson
Vice-President, Finance

J. W. Younger, Q.C.
*Vice-President, Secretary
and General Counsel*

G. Binnie
Comptroller

P. D. Matthews
Treasurer

W. C. Ashcroft
Assistant Treasurer

W. A. Darby
*Assistant Comptroller —
Corporate Accounting*

L. M. Killaly
Assistant Secretary

A. G. Northcott
*Assistant Comptroller —
Works Accounting*

The Chief Executive Officer
made the following appointments:

G. W. R. Bowlby

Vice-President — Sales

K. Coles

Vice-President —

*Manufacturing, Finishing &
Tubular Operations*

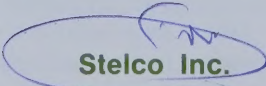
J. E. Hood

*Vice-President — Manufactur-
ing, Primary Operations*

stelco

Quarterly Report to Shareholders for the period ended June 30, 1980

This message was mailed to shareholders with
their dividend cheques of August 1, 1980.



Stelco Inc.
Toronto, Canada

stelco

ADDRESS BY J. PETER GORDON
Chairman and
Chief Executive Officer

It is a pleasure to welcome you once more to the 69th Annual Meeting of our Company, to the beginning of the 70th year of this Company's existence, and also to a new venue for these proceedings — the St. Lawrence Centre. I might say that the move from the traditional location of these functions, the Toronto-Dominion Cinema, was dictated solely by the fact that this particular facility is no longer in existence, having given way to permit the continuing link-up of the subterranean plazas that are now an integral component of Toronto's downtown core.

When I spoke to last year's Annual Meeting in Hamilton, I was able to report that, contrary to all expectations, 1978 had proved to be an excellent year for our Company and one which saw the attainment of the highest level of sales, shipments, and profits in our history. This morning, I am in the happy position of being able to record that, not only were these particular achievements surpassed in 1979, but that in addition we also produced a

***Quarterly Report
to Shareholders for
the period ended
June 30, 1980***

This message was mailed to shareholders with their dividend cheques of August 1, 1980.



Stelco Inc.
Toronto, Canada

record-breaking 5.9 million tons of steel — up from 5.5 million tons in 1978.

New production records were established as well at various facilities at Hilton Works, at Edmonton Finishing Works, and at the steelmaking shops in Edmonton Steel Works and at Contrecoeur. These production records are all the more remarkable considering that three of our four blast furnaces at Hilton Works were down for varying periods throughout the year, and that operations at our McMaster Works steelmaking shop were interrupted for nearly eight weeks as a result of a fire in the main control room.

The year began with extremely strong demand for steel from all major domestic industry groups. In late spring, however, there was a distinct drop-off in requirement from the automotive sector and this trend continued throughout the year. On the other hand, the other major consumers of steel (general metal fabricators, agricultural equipment manufacturers, rail car builders, and appliance producers) all maintained high levels of production which picked up the slack brought about by diminished activity on the part of

stelco

the automotive industry.

An important factor in this performance, of course, was the lower value of the Canadian dollar in relationship to that of its U.S. counterpart which, in turn, generated additional export opportunities for many of the steel industry's customers. As a result, domestic steel shipments increased by 6% to 11.6 million net tons. Although foreign steel remained economically unattractive to domestic users, the inability of Canadian steelmakers to fully meet demand was reflected in an increased level of imports, notably in the form of plate, sheet and structural sections. On the other hand, mill exports to the United States and overseas declined from two million tons in 1978 to 1.8 million tons, reflecting the Canadian steel industry's traditional commitment toward meeting, to the greatest extent possible, the needs of its domestic customers.

The strong performance of the Canadian steel industry during the past year was, as I have already indicated, matched fully by that of its leading and most diversified producer.

The new production records set at certain of our facilities were

Quarterly Report to Shareholders for the period ended June 30, 1980

This message was mailed to shareholders with their dividend cheques of August 1, 1980.



Stelco Inc.
Toronto, Canada

complemented by full-out operations at all other major plants and high levels of capacity utilization at our fabricating works. In this regard, it is interesting to note that, despite relatively weak demand for oil and gas transmission pipe, our Welland Tube Works nevertheless managed to achieve its highest level of output since 1975. The end result of all this was that our sales passed the two billion dollar threshold for the first time in history and our net income of \$156.9 million set a new record.

Conversely, our manufacturing costs increased significantly during the year. In order to satisfy customer demand and prevent erosion of our market participation, we had to purchase substantial quantities of semi-finished steel during the year at a premium that had an adverse effect on our manufacturing margins and cash position. Employment costs increased under the terms of various collective agreements, and we also experienced sharp increases in energy and raw material costs.

That these costs did not impinge more drastically upon our results was due to a combination of price adjustments, economies

resulting from high levels of capacity utilization, improved operating efficiencies, and the introduction of new technology.

The global steel industry during 1979 was characterized by pockets of relatively strong demand. The crude steel output of the western world increased by 4% over 1978 levels. In Europe, markets displayed a more orderly bent, although some countries (notably France, Belgium and Italy) continued to experience serious over-capacity. The British steel industry was plagued by operating losses, plant shut-downs, and labour strife. Japan diverted substantial export tonnages from North America toward its domestic and far eastern markets. In the United States, steel consumption declined marginally in line with slackening economic activity.

As far as 1980 is concerned, the world steel outlook is far from being robust, and the International Iron and Steel Institute is predicting a level of western world steel demand somewhat below that of 1979. There are clear indications of reduced steel demand in the United States, related largely to the current problems of the automobile industry, which is

Quarterly Report to Shareholders for the period ended June 30, 1980

This message was mailed to shareholders with their dividend cheques of August 1, 1980.



Stelco Inc.
Toronto, Canada

or explanation of computation of net income per common share.)

presently undergoing a period of wrenching rationalization. Since this endeavour cannot be accomplished overnight, the industry will remain vulnerable to an incursion of small, light-weight, foreign-built vehicles and this has obvious implications for steel producers who depend heavily on this particular market.

At this moment in time, it would appear that 1980 will be a flat year for Canada both with respect to economic growth and steel demand. We do not anticipate any significant pick-up in automotive activity before the fourth quarter, and the prospect of pre-building part of the Canadian section of the Alaska Highway Gas Pipeline is somewhat less of a probability now than it appeared a few short months ago.

There also has to be some concern about the possible adverse effect which rising interest rates will have on capital spending for plant and equipment. Having said all this, I must emphasize that it has, up until now, been our experience that projections of decreased market demand continue to be a forecast on the horizon more than an actuality and, as a matter of fact, our order pattern for the second quarter is relatively

healthy. It would appear that, provided Canadian steelmakers are able to maintain their current level of cost competitiveness, they are in an excellent position to offset any drop in demand by displacing imports or by grasping selective export opportunities.

During March 5,950,000 shares of \$1.94 Convertible Preferred Shares Series C were issued to provide \$148,750,000 in additional capital. This money will be used for our present and future capital requirements.

Looking further into the 1980s, the view from the steel industry's vantage point is one of decided optimism. To take just one example, the realities of the current energy equation dictate very clearly that Canada must embark quickly on its quest for energy self-reliance by pushing ahead vigorously with the development of its varied and bountiful energy resources.

The implications, which such a programme has for the steel industry, are self-evident since no matter what form of energy is involved (conventional oil and gas development, heavy oil and tar sands' plants, hydro and nuclear powerstations, off-shore exploration and development, and coal

Quarterly Report to Shareholders for the period ended June 30, 1980

This message was mailed to shareholders with their dividend cheques of August 1, 1980.



Stelco Inc.
Toronto, Canada

or explanation of computation of net income per common share.)

conversion) you are looking at steel in one form or another with respect to both the construction of processing facilities and the transportation network required to bring these resources to the principal markets of our nation.

However, in this regard, maintaining domestic oil prices below world prices results in a subsidy to all consumers of oil in Canada. Using domestic consumption rates for the first nine months of 1979 and present domestic and world oil prices, this amounts to a daily subsidy to consumers of \$61 million. These subsidies, paid explicitly or implicitly by the producers and governments, accrue to all consumers of oil in Canada — rich or poor, multinational or small family enterprises.

While it may be necessary to subsidize some segments of society, there does not appear to be any justification for across-the-board subsidies of the magnitude involved. We urge the government to institute a policy of moving the domestic price of oil to world levels in a clearly defined and rapid manner.

There is also a very strong possibility that a world steel shortage will develop during the middle of the decade. This will come about

as a result of a recovery in demand and by virtue of the fact that, with the exception of Canada, no significant additions to world steelmaking capacity are underway or planned for the immediate future. To the contrary, the United States steel industry is currently undergoing a process of retrenchment involving the closing down of obsolete facilities which will have the effect of reducing significantly that nation's overall steelmaking capability.

The Canadian steel industry is well placed to take advantage of any potential world capacity shortfall, and this is particularly true of our own Company.

As you are all aware, we announced in June of last year a \$365 million five-year programme involving the installation of an 80" hot strip mill at Lake Erie, a fourth continuous galvanize line, modifications to our No. 1 bar mill and No. 3 electrolytic tinning line at Hilton Works, and new rod, bar and fastener manufacturing equipment for certain of our finishing plants. This programme has the dual purpose of expanding both our product capacity and diversity and also of enhancing our operational efficiency. There is little question, however, that the

Quarterly Report to Shareholders for the period ended June 30, 1980

This message was mailed to shareholders with their dividend cheques of August 1, 1980.



Stelco Inc.
Toronto, Canada

or explanation of computation of net income per common share.)

“red-letter event” of the decade, as far as Stelco is concerned, will take place a week or so from now when we pour the first steel at our Lake Erie Development.

Assuming a continuation of present market demand, we anticipate a production level of approximately 600,000 tons of slabs during the facility’s first year of operation, rising thereafter to the first stage’s rated capacity of 1.3 million tons.

Initially, this production will be utilized at Hilton Works where we have acquired significant additional rolling capacity as a result of a recently-completed revamp of our hot strip mill, or sold directly in semi-finished form, pending the installation of the 80” hot strip mill in 1983. Completion of this unit will make the Lake Erie Development a truly integrated facility as well as providing us with the ability to produce a wider range of hot rolled products, together with the high-strength, low-alloy steels now being demanded by the automotive industry.

When one’s thoughts turn to the Lake Erie Development, it is hard to resist the temptation to converse in superlatives simply because the complex is truly a

unique and distinctive industrial undertaking. Not only is it the largest single project in the history of the Canadian steel industry, but it is also the only green-field steelmaking development taking place in the world today.

It will be highly energy-efficient and a world showpiece in terms of technological innovativeness, environmental approach, and conceptual design and assembly. It has also been constructed without any government grants or assistance. As someone who has been involved with the project since its inception, the over-riding impression I shall always be left with is the sheer magnitude of human commitment that is embodied in its creation. The complex, in both its present and future form, will stand as a perennial tribute to the creativity of the people who designed it, the dedication of the individuals who constructed it, the skill of the employees who will operate it, and to the patience and faith of the shareholders who helped make it all possible.

Before concluding my remarks with a brief look at the national scene, this might be an appropriate time to draw your attention to an item on the agenda seeking

Quarterly Report to Shareholders for the period ended June 30, 1980

This message was mailed to shareholders with their dividend cheques of August 1, 1980.



Stelco Inc.
Toronto, Canada

or explanation of computation of net income per common share.)

your approval to change the name of our Company from that of The Steel Company of Canada, Limited to Stelco Inc.

The reason for this change is The Charter of the French Language requires that, by the end of the year, any Canadian company carrying on business in the Province should have a French version of its corporate name for use in Quebec. A literal translation of our existing corporate name into French would be unwieldy and would not carry the goodwill associated with the Company's long history of operations in Quebec simply because it would not sound or look like our existing designation.

One way of complying with the requirements of The Charter of the French Language was to have a name that read the same in both French and English and Stelco Inc. meets this criterion. Over the years, the name "Stelco" has become the cornerstone of our Corporate Identity Programme and our entire marketing approach. It is also the designation under which we are listed on various stock exchanges, and the name by which we are almost universally known throughout our various constituencies.

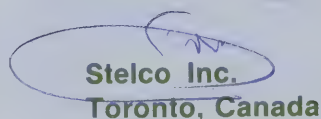
I might say that we have taken steps to protect the designation by which we have been known since 1910 through changing the name of one of our subsidiaries, Stelco Limited, to that of The Steel Company of Canada, Limited.

Our nation is entering the 1980s with, on the one hand, a potentially-crippling multiplicity of economic and constitutional problems and, on the other, the vast potential represented by its physical and human resources. After a tumultuous political year which saw two changes of government within nine months, Canada now has a majority government once more whose task will be to put into place the policies that are required to achieve energy self-reliance, reduce unemployment, revive our stagnant level of national productivity and, perhaps most important of all, to curb our rising level of inflation.

I have singled out inflation simply because it is potentially the most economically-damaging and socially-destructive of all our problems, and also because of the public unrest currently being generated by one of its inevitable consequences — high and rising levels of interest rates. It seems to

Quarterly Report to Shareholders for the period ended June 30, 1980

This message was mailed to shareholders with their dividend cheques of August 1, 1980.



Stelco Inc.
Toronto, Canada

or explanation of computation of net income per common share.)

me that there is an inherent "cart before the horse" mentality associated with the current clamour for government to control interest rates. I think everyone agrees that interest rates must be brought down as quickly as possible, but the only way in which this is going to be accomplished is through reducing our budgetary and balance of payments' deficits and this, in essence, means cutting public spending and channelling more of our financial resources into productive economic investment. This fundamental reality has obviously been recognized by the Thatcher Government in the United Kingdom which, in its recent budget, has cut existing as opposed to potential levels of spending, and it is also reflected in the stated intention of the Carter Administration to achieve a balanced budget for the United States in fiscal 1981.

Unpalatable though it may be, it is inevitable that this is the direction in which Canada is also going to have to proceed sooner or later. In recent years, governments have shrunk from taking aggressive action against inflation through fear of bringing about a recession. What we do not seem to have taken into account here

are the frightening recessionary implications inherent in allowing rampant inflation to continue unabated. I fear that matters have gone somewhat beyond the point of (to coin a sentiment that has become popular in recent months) accepting some pain now in order to avoid more later on. Rather, I think it is more a case of accepting some pain now in order to avoid excruciating agony further down the road.

In a few weeks' time, the people of Quebec will be voting in a Referendum on whether to give their government a mandate to negotiate sovereignty-association with the rest of Canada. There are some who have already discounted the implications of a "Yes" vote, choosing to regard the latter merely as a vehicle by which the Province of Quebec can negotiate a better deal within Confederation.

This is all very well, but the trouble is that this may not be how it is perceived by the rest of Canada or by the international investment community. Indeed, a perfectly logical case could be made for choosing to interpret the term "sovereignty-association" in a somewhat different, more literal manner, namely that of a sover-

Quarterly Report to Shareholders for the period ended June 30, 1980

This message was mailed to shareholders with their dividend cheques of August 1, 1980.

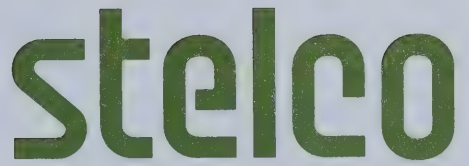


Stelco Inc.
Toronto, Canada

or explanation of computation of net income per common share.)

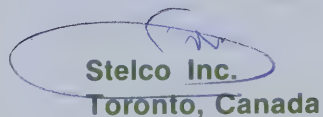
eign independent state in some form of as yet undefined association with one or more other states.

This is neither the time nor the place to explore or discuss the various constitutional options open to our nation. I think it is entirely appropriate, however, to express the hope that there exists within our country a majority of Canadians who are determined to seek out and embrace a solution to our constitutional difficulties other than that of separation or, for that matter, amalgamation with our great neighbour to the south. This will not be an easy undertaking, but surely it is not one that is beyond a people who created, and have maintained for 113 years, a vibrant and distinctive Confederation against all the laws of economic and constitutional logic.



***Quarterly Report
to Shareholders for
the period ended
June 30, 1980***

This message was mailed to shareholders with
their dividend cheques of August 1, 1980.

The Stelco Inc. logo is centered, featuring the text "Stelco Inc." in green and "Toronto, Canada" in black below it. A blue circular stamp with a signature is overlaid on the logo.

Stelco Inc.
Toronto, Canada

(or explanation of computation of net income per common share.)

AR26

stleo

***Quarterly Report
to Shareholders for
the period ended
June 30, 1980***

This message was mailed to shareholders with
their dividend cheques of August 1, 1980.


Stelco Inc.
Toronto, Canada

AR26

AR26

stelco

stelco

***Quarterly Report
to Shareholders for
the period ended
June 30, 1980***

This message was mailed to shareholders with
their dividend cheques of August 1, 1980.


Stelco Inc.
Toronto, Canada

Quarterly Report

Stelco Inc.

Consolidated results for the second quarter and first half of 1980 in comparison with the corresponding periods in 1979 and a summary of changes in financial position for the first six months of these years are given below:

(In Thousands)	Three Months Ended June 30		Six Months Ended June 30	
	1980	1979	1980	1979
Raw steel produced — net tons _____	1,561	1,488	3,105	3,001
Shipments — net tons _____	<u>1,063</u>	<u>1,170</u>	<u>2,247</u>	<u>2,368</u>
REVENUE				
Sales _____	\$531,680	\$535,527	\$1,097,294	\$1,049,268
Equity in net income of corporate joint ventures and partnerships _____	1,729	2,577	4,547	4,706
Income from short-term investments _____	<u>3,773</u>	<u>3,669</u>	<u>4,199</u>	<u>7,111</u>
	<u>537,182</u>	<u>541,773</u>	<u>1,106,040</u>	<u>1,061,085</u>
EXPENSE				
Cost of sales, exclusive of the following items _____	439,390	422,749	902,795	847,344
Administrative and selling _____	25,396	23,886	48,605	45,464
Research and development _____	1,862	1,706	3,608	3,389
Depreciation _____	17,770	16,100	33,010	30,800
Interest on long-term debt _____	12,709	12,943	25,506	25,878
Other interest _____	199	47	733	94
Income taxes _____	<u>3,816</u>	<u>19,129</u>	<u>16,279</u>	<u>32,222</u>
	<u>501,142</u>	<u>496,560</u>	<u>1,030,536</u>	<u>985,191</u>
NET INCOME _____	<u>\$36,040</u>	<u>\$45,213</u>	<u>\$75,504</u>	<u>\$75,894</u>
Net income per share (after preferred dividends) _____	\$1.12	\$1.68	\$2.51	\$2.79
Fully diluted net income per share _____	1.05	—	2.42	—

CHANGES IN FINANCIAL POSITION

(In Thousands)	Six Months Ended June 30	
	1980	1979
SOURCE OF WORKING CAPITAL		
Current operations _____	\$118,960	\$131,939
Net proceeds from issue of preferred shares _____	<u>161,260</u>	<u>—</u>
	<u>280,220</u>	<u>131,939</u>
DISPOSITION OF WORKING CAPITAL		
Expenditures for fixed assets _____	116,178	54,363
Long-term intercorporate investments _____	(527)	7,546
Reduction of long-term debt _____	6,099	1,472
Dividends _____	<u>36,951</u>	<u>29,320</u>
	<u>158,701</u>	<u>92,701</u>
INCREASE IN WORKING CAPITAL _____	<u>\$121,519</u>	<u>\$39,238</u>

To the Shareholders of Stelco Inc.:

The second quarter of 1980 saw a significant drop in the demand for steel products as the current recession impacted the Canadian and United States economies. Sales revenue and shipments were below the previous quarter as weak markets continued in the automotive, construction and large diameter pipe businesses. Reduced volume and rising costs unfavourably affected the net income per share for the quarter.

On June 1, Lake Erie Works came on stream. Start-up problems at the blast furnace, steel shop and slab caster were relatively minimal, a credit to the skills and dedication of Stelco personnel. Production of steel slabs amounted to 27,000 tons in the month.

During the quarter, your Directors approved capital appropriations totalling \$63.6 million including approximately \$42 million for Hilton Works projects previously approved in principle. Major approved items are the No. 1 bar mill revamp to increase rod and bar rolling capacity and the galvanized shipping facility expansion, both located at Hilton Works.

In accordance with the Special Resolution approved on April 21, 1980, at the Special Meeting of Class A and Class B Convertible Shareholders and the Meeting of Preferred Shareholders as a class, the Corporation was continued under the Canada Business Corporations Act effective June 27, 1980, at which time the name of the Corporation was changed to Stelco Inc. Outstanding share certificates need not be exchanged for new certificates and may be retained by the holders.

The demand for most steel products is weak and we do not anticipate any significant improvements in the near term. The Corporation welcomes the recent decision of the Canadian Government to authorize the pre-building of southern sections of the Alaska Highway Gas Pipeline. As a designated supplier of line pipe for the project the Corporation hopes to make a major contribution to the success of this extensive energy transportation project.

TORONTO, CANADA.
July 31, 1980.

J. P. GORDON, Chairman of the Board and
Chief Executive Officer.
J. D. ALLAN, President and Chief
Operating Officer.

Notes:

Net income per share is calculated on the weighted average number of common shares outstanding in each period. For the computation of fully diluted net income per share, the dividends on convertible preferred shares were added back to earnings available for common shares and it was assumed that all convertible preferred shares outstanding at June 30, 1980 were converted as at the date of issue, April 1, 1980.

Interim statements are unaudited and include estimates which are subject to year-end adjustments.

Dividend August 1, 1980

The enclosed cheque is in payment of a dividend declared on June 16, 1980, and payable to shareholders of record at the close of business on July 2, 1980. The Series A and Series B Convertible Common Share quarterly dividend is 45¢ per share. The initial Series C Convertible Preferred Share dividend covers a four month period and is 64.7¢ per share.

NOTICE TO NON-RESIDENT SHAREHOLDERS: The Income Tax Act of Canada requires that a tax be deducted at the source from dividends paid to non-resident shareholders. The rate of tax depends on the shareholder's country of residence. This tax has been deducted from the amount of such dividends and remitted to the Canadian Government.

CHANGE IN ADDRESS: Please notify the Montreal Trust Company, 15 King Street West, Toronto, Ontario, M5H 1B4, of any change in address, using the enclosed change of address card.

Banks or Trust Companies receiving dividends on behalf of shareholders are requested to send this folder on to them. Additional copies may be obtained from the Secretary of the Corporation.

Annual Report 1980

(Year ended December 31, 1980)

Highlights

Dollars in millions except as indicated*

Financial		1980	1979	% Change
Sales	\$	2,228.6	2,091.2	+ 7
Net Income	\$	132.2	156.9	— 16
Per cent of sales	%	5.9	7.5	
† Per common share —	*\$	4.05	5.74	
— fully diluted	*\$	3.88	N/A	
Dividends declared — preferred	\$	34.0	15.4	+ 121
— common	\$	49.4	49.4	—
Per common share	*\$	2.00	2.00	
Common shareholders' equity	\$	1,054.7	1,009.6	+ 5
Per common share	*\$	42.66	40.85	
Capital expenditures	\$	191.7	204.0	— 6
Depreciation	\$	70.3	60.5	+ 16
Operations				
Materials and services bought and used	\$	1,270.5	1,144.7	+ 11
Total employment costs	\$	687.9	641.6	+ 7
Average number of employees		25,094	25,032	—
Raw steel produced — thousands of net tons		6,278	5,862	+ 7
Steel shipments — thousands of net tons		4,529	4,553	—
Distribution of Total Revenue				
Purchases of goods, supplies and services	%	54	52	
Wages, salaries and employee benefits	%	30	30	
Depreciation	%	3	3	
Interest on long-term debt	%	3	3	
Federal, provincial and municipal taxes	%	4	5	
Dividends	%	4	3	
Earnings reinvested in the business	%	2	4	
	%	100	100	

†After preferred dividends. (See Note 1 on page 25 for explanation of computation of net income per common share.)

A report from the Chairman of the Board

The slowdowns of the North American economies, spawned by declining activity in the auto and housing industries and by consumer retrenchment in the face of record high interest rates and accelerating inflation, affected the Canadian steel industry negatively, particularly in the third quarter. While Canadian raw steel production was marginally less than in 1979, domestic shipments fell to 10.4 million tons from 11.7 million tons. The industry was successful in compensating for domestic softness by expanding direct mill exports to 3.0 million tons — 69% better than 1979. The bulk of these shipments were made to overseas markets. Weakened Canadian demand, coupled with the discounted Canadian dollar, served to keep imports of steel products at 1.4 million tons, or 12% of Canadian consumption.

Sales and income

Stelco's sales of \$2.2 billion were a record for the Corporation, but these were not accompanied by commensurate profits and shipments. Net income declined to \$132.2 million from \$156.9 million in 1979 and steel product shipments were down 0.5% to 4.5 million tons. Viewed in the light of generally depressed world business conditions, these results were better than might have been expected and, in fact, rather exceptional by comparison to those of American and European steel companies which suffered severe hardships. At its low point, in July, the American industry operated at 51.7% of rated capacity. By mid-year, most European countries had slipped into recession and the European Economic Community, in the third quarter, was forced to declare a state of manifest crisis in steel. Mandatory production cutbacks of as much as 25% were imposed in an attempt to bring some order to chaotic production and market conditions. Western world steel production as a whole declined 7% from 1979.

Lake Erie Works

In retrospect, 1980 can be viewed positively as a landmark year for Stelco. As the culmination of more than six years of construction, the first steel was poured successfully in June at Lake Erie Works and on September 16th this new plant was opened officially by the Prime Minister of Canada, Pierre E. Trudeau, and

the Premier of Ontario, William G. Davis. The Lake Erie Development stands as evidence of the health of the Canadian steel industry and symbolizes the long-range dedication of Stelco to the production and finishing of steel. The Corporation is moving into the 1980's in a strong position. While ownership continues to be predominantly Canadian, the bright future for the Corporation has been recognized as well by American institutional investors.

Canadian economy

The steel industry's momentum into the 1980's threatens to be slowed by the interaction of adverse forces which currently are putting Canadian prospects in considerable danger. In a world of upheaval, Canada stands as one of the very few nations that has the potential to achieve unparalleled economic, social and political benefits and stability. Paradoxically, at the present time, Canadians seem bent on diminishing this promise. Federal/Provincial discord is creating a climate of uncertainty, frustration, and even of alienation in parts of the country. Canadian markets are being balkanized. Entrepreneurship and the stimulation of capital investment are being discouraged by the increased incursion by governments into the private sector. All this is magnified by the perception that Canada's economic prospects are extremely fragile, given the current serious economic dislocations throughout the world created in large measure by the oil pricing policies of the OPEC nations.

Energy

For Canada, the cardinal issue which emerges from this confused and troubled scene is that of energy self-sufficiency. Our dependency for oil on foreign sources poses a far greater threat to Canada than the domicile of a constitution or the foreign ownership of our industries and resources. There is an urgent need to move ahead quickly with the development of major energy projects which will lead up to the goal of energy self-sufficiency by the end of the decade. If there is to be an industrial strategy for Canada, it surely must have as its cornerstone the provision of proper incentives for private sector in-

vestment. The country's potential cannot be realized without the understanding, commitment and close co-operation of the public and private sectors, spurred by an expressed desire of the Canadian people that Canada must remain unified even if not necessarily uniform in its various parts. Clearly, the time has arrived for true Canadian statesmanship at all levels.

Outlook

The economic outlook for 1981 is being viewed pessimistically by most observers. Forecasts call for negative or minimum growth for western countries. The cost of oil continues to create balance of payment deficits. Any sustained abatement of inflation is not regarded as a near-term probability. The North American condition continues to be predicated in large part on the movement of interest rates, the recovery of the auto industry and the confidence of the consumer and his willingness to return to normal spending patterns. The prospect for Canada in this context, given domestic uncertainties, is not at all clear, although a year of slow growth is envisaged. The Canadian steel industry, fortunately, has been able to avoid the idle-capacity problems plaguing many industrialized countries and entered 1981 in a good order-backlog position. This strength is expected to be maintained into the third quarter. The forecast for 1981 steel industry shipments is 13.5 million tons, a 1% improvement over 1980. Any downturn in steel demand resulting from deteriorating economic circumstances, would be cushioned if immediate action were to be initiated on the energy project front. For Stelco, cost control is of paramount importance and the Corporation will continue to maintain its competitive strength by exercising the closest scrutiny over all aspects of its cost structure.

Considerable difficulties faced Stelco in 1980. These were overcome and opportunities were seized largely because of the contribution of our employees who constitute a major resource of the Corporation. The success of Lake Erie Works stands as testimony to this resource. Our future depends on it. This is recognized and appreciated by your Directors,

The members of Stelco's Board of Directors bring a broad spectrum of business, financial, legal and academic expertise, and varying geographical viewpoints to the affairs of the Corporation. Pictured here and on page 5 are the members of the

Board. Below, left to right: Lucien G. Rolland, Rolland inc.; J. Douglas Gibson, O.B.E., Corporate Director; J. Peter Gordon, Chairman of the Board and Chief Executive Officer of the Corporation; Alex E. Barron, Canadian General Investments Limited.



who also are grateful to our customers, suppliers and shareholders for their confidence and support.

It is with sadness that the Directors record the death, on June 7th, 1980, of Mr. V. W. Scully C.M.G. F.C.A. William Scully joined Stelco in 1951, was elected to the Board in 1956, became President in 1957, Chief Executive Officer in 1960, Chairman in 1966 and was Chairman of the Executive Committee from 1971 until he retired from the Board in 1974. He provided exceptional leadership for Stelco

during a period of major expansion. Mr. Scully was a distinguished Canadian, much respected and admired in the business and government communities.

The Directors also note with great regret the death on April 5, 1980 of Mr. J. Roy Gordon. Mr. Gordon served on the Board from 1961 until his retirement in 1973. He brought to his service a broad knowledge of heavy industry and during his tenure made a very substantial contribution to the success of the Corporation. His passing is mourned by his former associates.

Directors

In January 1980, Mr. Alistair M. Campbell retired from the Board. Mr. Campbell, with his broad background and great experience, made a significant contribution to the progress of the Corporation during his 13 years as a Director, and over 10 years as a member of the Executive Committee. His position was filled by the election of Mr. Thomas M. Galt.

J. Peter Gordon

Chairman of the Board and
Chief Executive Officer

February 16, 1981

A report from the President

Sales and production

In spite of the significant drop in domestic demand for steel products which occurred in the second and third quarters, sales revenue of \$2,228.6 million was 6.6% higher than the \$2,091.2 million in 1979. The principal factor contributing to this increase was higher selling prices which were necessitated by increases in costs. Steel shipments of 4,529 thousand tons were down slightly from the 4,553 thousand tons shipped in 1979.

Steel production of 6,278 thousand tons including the 272 thousand tons of initial production from Lake Erie Works, was up from 5,862 thousand tons produced in 1979. This represents a new annual record for the Corporation.

Net income

Consolidated net income of \$132.2 million for the year was down substantially from the \$156.9 million earned in 1979. After allowing for the effect of the costs associated with the start-up of Lake Erie Works, the level of net income is still disappointing. The challenge facing the Corporation will be to achieve an improved rate of return on its substantial investment. (See the Ten Year Statistical Summary, page 31.) Earnings available to common shareholders after deducting preferred dividends were \$4.05 per share compared with \$5.74 per share in 1979. On a fully diluted basis the 1980 earnings per share were \$3.88.

Factors which have contributed to the lower level of income were:

- A higher proportion of offshore sales in the sales mix.
- Lower levels of activity at several finishing plants, due primarily to the soft automotive, farm implement and housing markets.
- Higher costs attributable to the start-up of Lake Erie Works.
- Significantly higher manufacturing costs mainly resulting from increases in:
 - energy prices
 - raw material costs
 - employment costs under the terms of the various collective agreements.

Dividends

Dividends declared on preferred shares during the year amounted to \$34.0 million compared to \$15.4 million in 1979. The increase reflects the additional dividend requirements resulting from the issue of 721,000 Preferred Shares Series B on February 1, 1980, 5,950,000 Convertible Preferred Shares Series C on April 1, 1980 and 4,400,000 Preferred Shares Series D on October 1, 1980. In addition the dividend rate paid on the Preferred Shares Series A was increased as a result of higher bank prime interest rates during much of 1980. (See Note 10 to the Financial Statements on page 27.)

The aggregate dividend declared on the Common Shares (Series A and B Convertible) was \$49.4 million or \$2.00 per Common Share in both 1980 and 1979. The dividend declared on the Series B Convertible Common Shares payable February 2, 1981 of 65 cents per share was paid as a stock dividend in Series B Convertible Common Shares in accordance with the conditions attached to such shares and is equivalent to the amount per share paid in cash on the Series A Convertible Common Shares. (See Note 10 to the Financial Statements on page 27.)

Financial position

Capital structure

Following approval of a Special Resolution at the Special Meeting of Class A and Class B Convertible Shareholders and of the Preferred Shareholders as a class held on April 21, 1980, the Corporation was continued under the Canada Business Corporations Act by Certificate of Continuance dated June 27, 1980. The Articles of Continuance provided among other things for the change of the corporate name from The Steel Company of Canada, Limited to Stelco Inc., which has the advantage of remaining unchanged when translated into French. Other aspects of the Articles of Continuance provided for certain changes in the capital structure of the Corporation including the ability to issue unlimited numbers of shares and the re-

classification and redesignation of the Class A and Class B Convertible Shares into Series A and Series B Convertible Common Shares respectively. The conditions attaching to the Series B Convertible Common Shares were amended to facilitate the payment of stock dividends on such shares.

The Corporation completed the private placement of the Preferred Shares Series B on February 1, 1980 by issuing 721,000 shares with a value of \$18,025,000. On April 1, 1980 the Corporation sold for public issue 5,950,000 shares of Convertible Preferred Shares Series C for \$148,750,000. These shares are convertible into Series A Convertible Common Shares at any time on or before April 30, 1990 at a conversion price of \$33.75 per share. On October 1, 1980 the Corporation sold for public issue 4,400,000 shares of Cumulative Redeemable Preferred Shares Series D at \$25 each for \$110,000,000 and 13½% Sinking Fund Debentures, 1980 Series, due October 1, 2000 for \$110,000,000. (See Notes 5 and 10 to the Financial Statements on pages 26 and 27.)

The net proceeds of these issues are being used to finance the Corporation's ongoing capital expenditure program and working capital requirements.

Capital investment

During 1980, excluding long-term intercorporate investments, the Corporation invested \$192.5 million in manufacturing and mining facilities compared with capital expenditures of \$193.7 million in 1979. Included in the above amount in 1980 is \$139.0 million for facilities at Lake Erie Works. The remaining expenditure of \$53.5 million was for environmental control, growth, cost reduction and market retention projects at the Corporation's other plants.

Intercorporate investments

Long-term intercorporate investments increased by \$1.3 million during 1980 to \$78.4 million at year-end. This increase represents Stelco's share of the undistributed 1980 earnings of these investments.

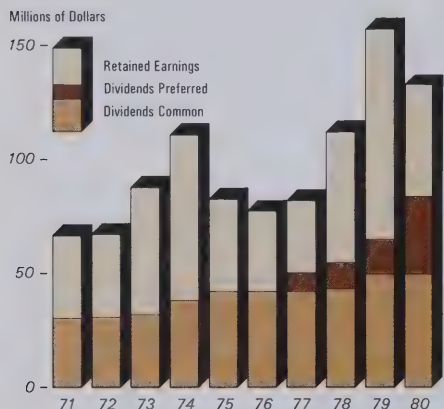
More members of the Board. Top, left to right: William F. McLean, Canada Packers Inc.; Senator the Hon. Ernest C. Manning, P.C., C.C., Manning Consultants Limited; Thomas M. Galt, Sun Life Assurance Company of Canada; Kenneth A. White, C.D.,

Royal Trustco Limited; Henry G. Thode, C.C., Ph.D., F.R.S., McMaster University. Lower left, left to right: William H. Young, The Hamilton Group Limited; D. R. McMaster, Q.C., Messrs. McMaster Meighen, Barristers & Solicitors; Frederick C. Mannix,

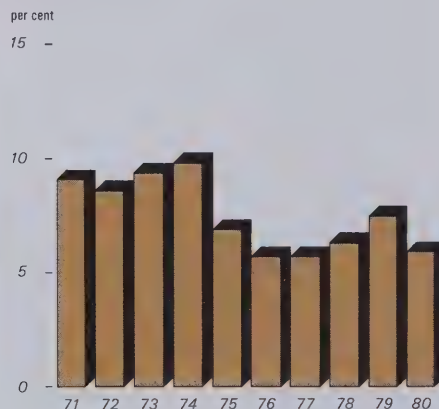
Corporate Director. Lower right, left to right: A. Jean de Grandpré, Q.C., Bell Canada; A. J. MacIntosh, Q.C., Messrs. Blake, Cassels & Graydon, Barristers & Solicitors; J. D. Allan, President and Chief Operating Officer of the Corporation.



Net Income



Return on Sales



The liability for income and other taxes of \$38.4 million at December 31, 1980 was down moderately from the \$43.1 million outstanding at the end of 1979.

The ratio of current assets to current liabilities at December 31, 1980 was 3.6 to 1, up materially from the ratio of 2.9 to 1 at the end of 1979. Again this improvement is largely due to the cash build-up resulting from the recent issues of preferred shares and debentures.

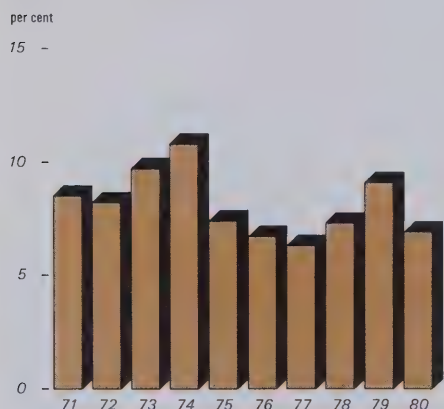
Inflation

The rate of inflation as measured by Statistics Canada's Implicit Price Index continued unabated from prior years. As a result, the measure of the Corporation's financial position using historical values tends to be distorted as dollars of different relative values are compared in the conventional financial statements.

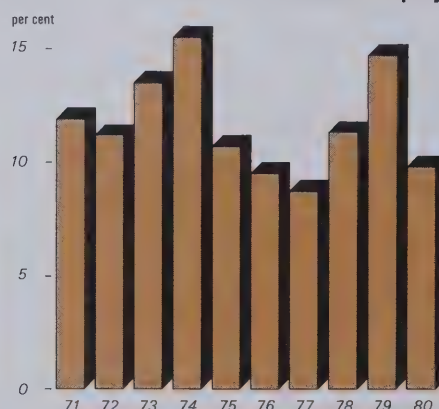
As noted in last year's annual report, there is still no official recommendation by The Canadian Institute of Chartered Accountants for inflation accounting although an exposure draft on this subject has been circulated.

Inventories and fixed assets are two areas of significant investment where historical accounting data could be misleading. It is estimated that Stelco's investment in inventories increased by \$46 million due to inflation during 1980. Depreciation charges based on the reproduction cost of the Corporation's fixed assets, calculated using Statistics Canada's Implicit Price Indices for Non-Residential Construction and Machinery and Equipment, are estimated to exceed the reported depreciation based on historical cost by \$75 million. When attempting to assess the impact of inflation on the Corporation's operating results, the reader is reminded that while both of the above factors adversely affect the reported profit, there are other considerations which could be taken into account. These include appreciation in value of the existing fixed assets and the effect of repaying long-term debt with depreciated dollars.

Return on Investment



Return on Common Shareholders' Equity



Working capital

The Corporation's working capital position increased significantly to \$930.7 million from \$617.1 million at the end of 1979. Cash and short-term investments increased by \$223.4 million over the year. These increases are derived from the sale of preferred shares and debentures noted under Capital Structure on page 4, which, together with the funds from operations exceeded by \$313.5 million the outflow of funds for capital expenditures, dividends and the repayment of long-term debt totalling \$295.4 million.

Accounts receivable grew by \$45.0 million to total \$329.6 million at year end. This growth is mainly the result of high December sales and the impact of inflation on sales revenue.

Inventories amounted to \$701.9 million at December 31, 1980, an increase of \$87.8 million during the year. Again this is a reflection of inflationary prices as well as the building of base stock inventories at the new Lake Erie Works.

Accounts payable rose by \$30.7 million to \$279.5 million at year end, attributable, in part, to the effect of Lake Erie Works on the volume of payables and in part to the general escalation in prices.

The scene below shows work on the pre-build section of the Alaska Highway gas pipeline near Cranbrook, B.C., where Stelco pipe made at Camrose Works is laid over undulating, heavily wooded country. When completed, this project will utilize over

4000 miles of large diameter pipe. But it is just one of the more than \$30 billion worth of energy-related projects planned for Canada, which are expected to be major users of Stelco steel in many forms, particularly tubular. Stelco's pipe-making facilities are

widely renowned; the Corporation is an industry leader in such highly specialized areas as arctic quality pipe.



Shareholders

There were 36,040 holders of common shares at year-end compared with 40,495 at the end of 1979. Common shareholders with Canadian addresses held approximately 92% of the total shares outstanding compared with the 98% reported last year. This may indicate an increased awareness by American investors of the Corporation's bright future.

Marketing and corporate planning

The year provided the most challenging conditions to face the Corporation for many years. First quarter mill loads and sales results remained strong despite signs of softening conditions in several key markets, particularly automotive and housing. However, sudden and dramatic weaknesses developed across most areas in the second quarter, as the automotive slump deepened, the agricultural implement sector experienced a serious downturn, and steel service centre inventories became excessive. In addition, anticipated business for large diameter pipe did not materialize as quickly as expected.

With the onset of domestic market weakness, it became evident that aggressive selling efforts in new markets were required. Sales to the United States became more difficult in spite of the lower value of the Canadian dollar as American steel supply exceeded demand and price erosion set in. Despite generally weak overseas markets, the Corporation was highly successful in negotiating significant spot business offshore to offset the drop in domestic demand. Hot and Cold Rolled Sheets, Tin Plate, Reinforcing Bar and Wire Rods were among the products shipped to such countries as Mexico, Venezuela, Peoples' Republic of China, Saudi Arabia, Kuwait and

Egypt. These export sales enabled the Corporation to maintain reasonable levels of activity and to avoid major layoffs at its main plants.

By the fourth quarter of 1980, the worst of the domestic fall-off in steel demand had been experienced and strength returned to a number of Canadian steel consuming markets.

The events of 1980 confirmed that the Corporation has the sales adaptability and expertise to market its products under the most trying circumstances. With the flexibility provided by the additional steel from Lake Erie Works, Stelco is well positioned to take advantage of marketing opportunities that are anticipated in the early 1980's.

Corporate planning

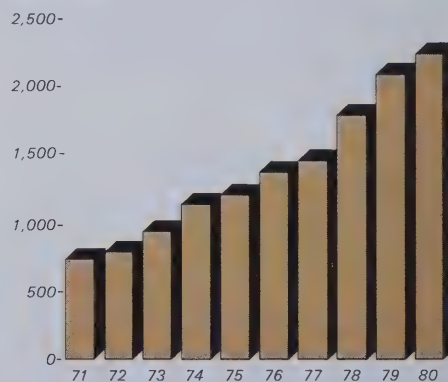
The corporate and facilities planning activities are primarily concentrated in developing the capital spending program required in the 1985-1990 period. We continue to forecast growth in Canadian demand for steel products, recognizing the cyclical nature of the market.

Large diameter pipeline projects

Of major significance during the year was the signing of a contract with Foot-hills Pipe Lines (Yukon) Ltd. for the supply of 680,000 tons of large diameter pipe for the Alaska Highway natural gas pipeline and the opportunity of participating in an additional 300,000 tons as the project progresses. This is the largest single contract ever negotiated by Stelco. While final approval for the entire pipeline was not given in 1980, the decision to proceed with the prebuilding of the Southern section of the Canadian portion was made. Stelco shipped 40,000 tons for the Western leg of the Southern Canadian portion in 1980 and expects to ship significant tonnage for the Eastern leg in 1981 and 1982.

Sales

Millions of Dollars



Raw materials

Coal

Reduced demand particularly by U.S. participants for metallurgical coal resulted in lower operating levels at some mines. This in turn contributed to improved labour stability with the result that unauthorized work stoppages were minimal. At most mines the gains in productivity experienced in 1979 continued to be reflected in their 1980 operations. Coal inventories were increased prior to the close of navigation as a hedge against possible labour disruption in late March 1981, when the existing labour contract with the United Mine Workers expires.

Chisholm Mine (100% owned): Production commenced from the South Side development in April following completion of the raw coal handling facilities. Construction of the balance of the facilities is progressing on schedule with completion of this major project expected in 1981. Productivity continued to improve partly as a result of mining the thicker coal seams on the South Side.

Madison Mine (100% owned): Reduced operating levels were necessary to bring total coal supply in balance with requirements. Improvement in mining conditions over previous years contributed to better yields.

Heavy construction was one of the brighter areas of the business scene in 1980. The industry consumes approximately one of every four tons of steel produced in Canada. Major projects such as Toronto's spectacular New Massey Hall are utilizing impres-

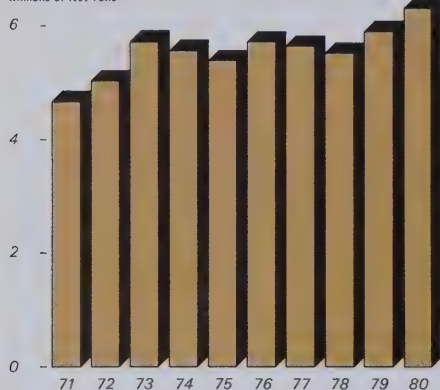
sive quantities of many Stelco products including Hollow Structural Sections. Stelco contributed to the brisk construction year with expansion of facilities at several locations, including Burlington Works (lower right), where cleaning and annealing facili-

ties are being enlarged. Increasing concern about acid rain and its effects has led to the wider use of cladding made from Stelcolour Barrier Series (lower left) which offers remarkable resistance to noxious atmospheres because of its thick PVC finish.



Raw Steel Produced

Millions of Net Tons



Beckley Coal Company (12.5% owned): Operating efficiency continued to improve over previous years. A new air shaft and a more efficient refuse conveyor were constructed and placed in operation.

Olga Coal Company (10% owned): Operating levels were down during the early part of the year due to lower demand. A continuing planned program of improvements to the preparation plant, rehabilitation of old facilities and replacement of mining equipment has resulted in improved operations and product quality.

Mathies Coal Company (13.3% owned): Production continued to be adversely affected by difficult mining conditions and low equipment availabilities. Replacement of equipment, recruitment of skilled personnel and employee training are expected to increase productivity in 1981. Product quality has been improved by modifications to the preparation plant circuit. A new air shaft was constructed and is now in operation.

The start-up date for the Elk River Coal Project (25% owned) remains uncertain due to continuing limited demand for metallurgical coal. Development work during the year continued at a minimum expenditure level.

Iron ore

A new three-year labour agreement with the United Steelworkers was reached on August 1 covering U.S. iron ore operations in Michigan and Minnesota where

all U.S. iron ore mines in which Stelco has an ownership interest are located. Agreement was also reached on local issues which are bargained for separately. Some mines operated at reduced levels as a result of lower requirements by some of the U.S. owners. Ore availability exceeded the Corporation's requirements and Stelco sold some excess tonnage.

The Griffith Mine (100% owned): Operations continued at capacity levels throughout the year. Some minor tonnage losses resulted from the evacuation of the residents of the Red Lake area during the major forest fire that threatened the area in May. Mining commenced in the South pit. The direct reduction kiln did not operate in 1980.

Wabush Mine (25.6% owned): To avoid output in excess of the requirements of some of the owners, there was a planned one-month shutdown in July. For the balance of the year operations were at capacity.

Erie Mining Company (10% owned): Due to reduced requirements by the owners, operations were below capacity for most of the year and were completely shut down on October 18. The facilities were reactivated at the end of January and current plans are to operate at approximately 80% of capacity in 1981.

Hibbing Taconite Company (6.7% owned): Production for the year was lower than planned due to ongoing problems with the large, 40-foot diameter gears which drive the autogenous mills. Corrective action is underway and legal proceedings have been brought against the designers and manufacturers of the gears.

Eveleth Expansion Company (23.5% owned): Annual production exceeded design capacity for the first time despite the failure of a ball mill shell which limited production for several months. Output, costs and product consistency have all shown improvement.

Tilden Mine (effectively 10% owned): Below capacity operations were necessary during the latter part of the year due to reduced requirements of some of the owners. Progress was made in improving the performance of the concentrator. Capacity operations are planned for 1981.

Limestone

Chemical Lime Works (100% owned) again supplied limestone and lime to meet all of the requirements of the Corporation, including Lake Erie Works. Operations were virtually at capacity, excess lime being sold on the open market.

Operations

Steelmaking

The highlight of 1980 was the start-up of Lake Erie Works, with production of hot metal from the blast furnace during the latter part of May, followed by the production of continuously cast steel slabs on June 1, 1980. The facilities came on stream in a very satisfactory manner and have continued to operate without serious problems.

Through the first five months of the year, primary steelmaking in Hamilton operated at capacity. The loss of key personnel to Lake Erie Works, compounded by peak summer vacations, resulted in less than satisfactory steelmaking efficiency at Hilton Works during the third quarter of the year. The fourth quarter of the year saw a return to an improved level of steelmaking performance.

During the month of October, "D" blast furnace at Hilton Works, the first furnace in North America equipped with Russian designed cooling staves, surpassed seven million tons of production since its last relining. Campaign life in terms of time and tonnage is well in excess of that previously achieved. This furnace will be taken out of production for relining later in 1981. The total blast furnace output at Hilton Works set an annual production record of 4,277,076 tons in 1980.

McMaster Works achieved record steel production in 1980, despite a 13-day shutdown in August when the temporary electrical equipment, installed following the fire in October 1979, was replaced with permanent equipment. At the same time a water cooled shell was installed on the electric arc furnace to improve operating efficiency and reduce relining costs.

Mining, automotive, oil: three industries of great significance to Stelco. The Corporation is both a mine operator and a major supplier to the mining industry. Upper photograph, taken at a Falconbridge Nickel mine near Sudbury, Ontario, shows up-hole cable-

bolting in progress, with several Stelco products in use, including 7-wire prestressing strand, rock bolts and welded wire fabric. High interest rates and overseas competition meant hard times for North America's automotive industry in 1980

but there is optimism that production lines (lower left) will be more active in the future. Brisk oil field activity created unprecedented demand for Stelco sucker rods (lower right), necessitating an expansion of the facilities at Edmonton Finishing Works.



Edmonton Steel Works steelmaking furnaces operated near capacity for most of the year although there was some reduction in output in the fourth quarter due to softening in steel demand. The scrap shredder which recycles automobile hulks continued to work well, reducing demand for imported scrap. Stelco-developed technology to improve consumption of graphite electrodes was installed on one electric arc furnace at Edmonton and is achieving the expected results.

Rolling Mills

Emphasis on improvement of yield, noted in the 1979 Annual Report, has continued in all processes, resulting in worthwhile reductions in costs and energy consumption.

The 56" Hot Strip Mill was shut down for 22 days during the month of March for the installation of the coilbox and the modification of the mill. Although fine tuning of the various facilities associated with the changes has taken longer than anticipated, the Corporation expects to achieve all the planned output and quality objectives related to this investment.

Modifications to No. 2 and No. 3 Galvanizing Lines to increase their output were completed in late 1979. The anticipated production increase of 14% has been achieved enabling No. 3 line to set an annual production record of 229,648 net tons.

No. 3 Tinning Line was modified to permit production of tin-free steel and first shipments of this new product were made in December. An annual production record of 5,512,515 base boxes was set on this line in spite of the downtime associated with the modifications.

The level of incoming business in the third quarter necessitated a reduction in operating levels in many of our rolling mill facilities. Exceptions were No. 2 Rod Mill which established an annual production record of 788,149 tons and No. 3 Bloom and Billet Mill which set an annual production record of 1,019,309 tons.

McMaster Works Bar Mill operated at capacity during the year with a significant portion of its output going to overseas markets.

Fabricating Works

The reduced demand for steel for the automotive sector, which was first noted in 1979, continued into 1980 and impacted unfavourably on several of the Fabricating Works, necessitating reduced operations or shutdowns during the year. While activity at the affected works increased as a result of improvement in business in the fourth quarter, operating levels were still below capacity at year end.

Gananoque Works, which is a major supplier of connecting rod caps for the auto industry, suffered from the switch to four from eight cylinder cars. Sales and Operating personnel have been successful in developing a number of new products for both the forging presses and hammers.

Notre Dame Works nut and bolt operations were also seriously affected by the marked automotive downturn although rock bolt production remained strong throughout the year.

As an indication of Stelco's confidence in the recovery of the North American auto industry the Corporation is proceeding with the fastener expansion plans announced last year. This includes cold headers for Brantford and Canada Works East Mill, boltmakers for Swansea Works and associated heat treating and cleaning facilities at the Burlington Works — Continuous Rod Processing Plant. The Corporation has also approved the replacement of the computer at the Fastener Shipping Centre with a more efficient unit.

Parkdale Works was affected by the general downturn in the economy. Fewer housing starts reduced the demand for nails with the result that the total tonnage of wire rods processed was well below 1979 levels.

Canadian Drawn Works experienced a very strong first half but business declined in the third and fourth quarters. Installation of the continuous draw bench is progressing with completion scheduled for the first quarter of 1981.

Frost Works production level, after a good first half, declined in the second half of the year due in part to the seasonal drop in demand for fence products.

Edmonton Finishing Works operated at high levels throughout the year and set an annual record for sucker rod production. A major expansion of the facilities for production of sucker rod is underway, with completion expected late in 1981.

Stelco Fabricators experienced reasonable volume in the first part of the year, but second half results were adversely affected by the slowdown in capital investment in western Canada resulting from the failure of Provincial and Federal Governments to agree on a national energy program.

Pipe operations at Page-Hersey, McMaster and St. Henry Works enjoyed a high level of activity for the first half of the year, but experienced a moderate downturn in the second half. Improvements to the 16" electric resistance weld mill at Page-Hersey are underway with completion scheduled for 1981.

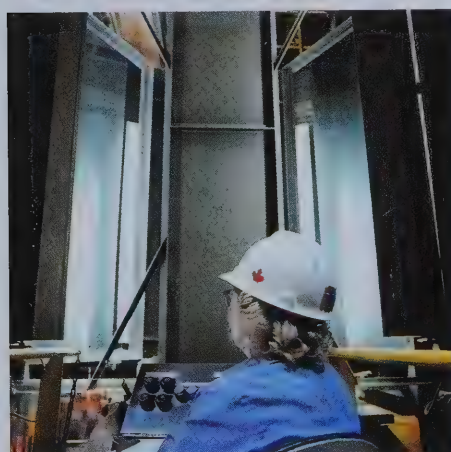
At Welland Tube Works the large diameter pipe mills experienced a weak first half, although activity at the 'U' and 'O' mill improved appreciably in the second half of the year. At the Stelform Mill installation of the mechanical expander and other modifications were completed. The outlook for this mill in 1981 is more promising.

Camrose Works 42" mill modifications were completed early in 1980 and output at this mill has been at a high level since July. The 16" electric resistance weld pipe mill at Camrose ran extensive tests using special process low sulphur steel rolled through Stelco's new coilbox at Hilton Works and demonstrated its suitability for high-strength thin-walled pipe required in today's market.

During 1980, the No. 3 Electrolytic Tinning Line at Hilton Works (upper and middle left) was modified to produce "Chrome-plate", a tin-free product for food and beverage containers. Stelco's overseas sales organization was particularly active during

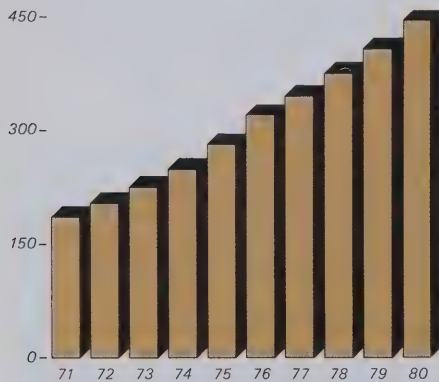
the year, developing new markets for Stelco steel in many parts of the world. Lower left: Stelco cold-rolled steel is loaded in Hamilton Harbour, destined for India. Stelco technology is also marketable. An example: the Corporation's Composite Water-cooled Elec-

trode. This highly significant technological development dramatically reduces graphite consumption in electric arc furnaces. An important factor in electric steelmaking costs, graphite prices have soared five-fold since 1967.



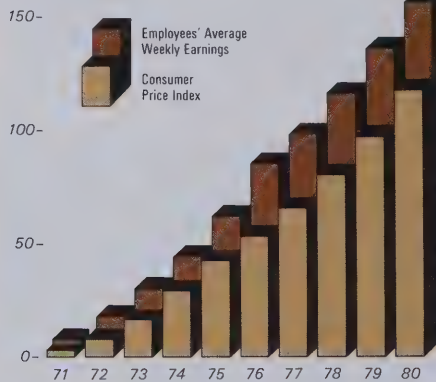
Employees' Average Weekly Earnings

Dollars per Week



Employees' Earnings/Consumer Price Index

Per Cent Increase (Base 1970 = 100)



Energy conservation

In the past year, the Corporation has further decreased its energy consumption rate. Energy performance was 2.5% better than in 1979, due mainly to the introduction of a number of energy conservation measures. This is indicative of the growing effort to conserve energy by all operating departments and those involved in energy distribution and co-ordination. Employees, corporation-wide, are submitting more and more suggestions relating to energy conservation.

Stelco is concerned not only with conserving energy now and in the near future, but with developing plans for energy conservation measures to be implemented in the long term. The Ferrous Industry Energy Research Association, of which Stelco is a member, is publicly committed to decreasing the energy consumption rate 7.1% by 1985 measured from the base period 1974.

Transportation

Transportation plays a vital role in the steel industry, in which enormous ton-nages of raw materials, by-products and finished steel, are moved. Stelco's major steel plants, Hilton and Lake Erie Works, are ideally situated for convenient access to the major modes of shipment, namely, water, rail and highway transport.

During 1980 Stelco worked closely with Foothills Pipe Lines (Yukon) Ltd. on the logistics of delivering, at the lowest possible cost, 60 and 80 foot lengths of Large Diameter Pipe from Camrose and Welland to stockpiles along the right of way in British Columbia and Alberta. On projects of this magnitude, transportation costs are a significant element in the overall economics of the pipeline.

Concurrent with the start up of Lake Erie Works, the Corporation put into operation a specially designed rail fleet, operated in mini-unit trains which permitted the majority of the slabs to be moved economically by rail to Hilton Works for further processing.

Associated companies

Baycoat Limited

At Baycoat, which is 50% owned by Stelco, the fourth coating line came into full commercial operation early in the year. The first line, which has been in operation since 1966, was extensively rebuilt.

Output volume and profitability were less than anticipated because of the severe cutback in demand for the weldable corrosion-resistant material used extensively by automobile manufacturers.

Torcad Limited

This 50% owned company diversified by acquiring an operation for chrome plating rolling mill rolls late in 1980. This acquisition will provide chroming service for Hilton Works rolls currently and for Lake Erie Works in the future. In co-operation with Canadian Drawn Works, it will assist Stelco's entry into the chrome shafting market which to date has been supplied mainly from the United States.

Operations were adversely affected throughout the year by the reduced demand for plated fasteners for the automotive trade.

Fers et Métaux Recyclés Ltée.

The company, in which Stelco has a 50% interest, processes ferrous scrap for use in Stelco's electric steelmaking plant at Contrecoeur, Quebec. Both the ferrous and non-ferrous reclamation units operated at capacity during 1980 with the exception of the scrap shredder which suffered from a shortage of auto hulks in the fourth quarter.

Canada Systems Group Limited

Stelco has a one-third interest in this company which is the largest data processing services company in Canada.

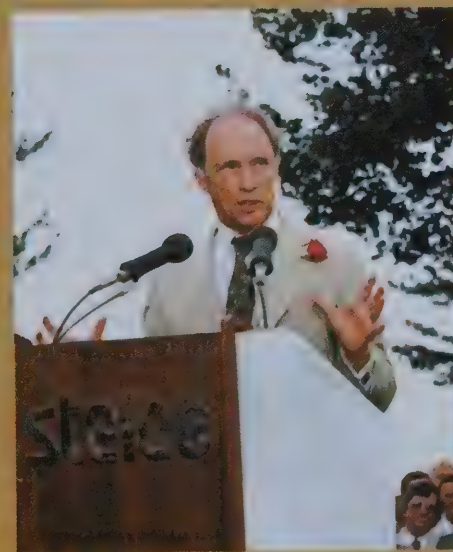
During the year a new data centre representing a \$6.5 million investment was opened in Calgary. This new centre, together with C.S.G.'s three existing centres, greatly improves the company's operating capability.

Sales volume and profits increased significantly in 1980 compared with last year due in part to the inclusion of a full year's results from the Multiple Access Computer Group acquired during 1979. The outlook for 1981 is for continued growth in sales and profits.

In mid-September, the name Stelco was widely seen and heard on both sides of the border, via newspapers, radio and television. The focus of the attention was Lake Erie Works, Stelco's highly innovative new steel-making complex. During the opening cere-

mony, many dignitaries — including Prime Minister Pierre E. Trudeau and Premier William G. Davis — and customers visited the plant. Their praise was unanimous. Hamilton and area's major newspaper, The Spectator, called the opening a "momen-

tous day." In a salute to Stelco, the paper said, "Southern Ontario can be proud that it is now the home of one of the most advanced and productive steel-manufacturing facilities in the world."



Stelco's new Lake Erie Works complex has been described as one of North America's most advanced steelmaking facilities in terms of steelmaking technology, energy conservation and protection of the environment. "Super-efficient." That's how the

Buffalo Evening News described Lake Erie Works in an article commending Stelco's foresight and initiative in building such a plant. Canadian Machinery and Metalworking magazine wrote glowingly of the size and scope of the Basic Oxygen Furnace and

Slab Caster Complex (exterior, pictured below; interior, upper right), which is a "25-storey behemoth where iron is combined with scrap steel and fluxes to produce molten steel." The magazine made special mention of the slab casting facilities, rating



them "the most modern in operation anywhere." Other Lake Erie Works facilities highlighted by the media include the 3900' long receiving dock where lake freighters unload cargo; the storage area with its giant stacker crane; and of course, the

fiery heart of the works, the 300' high blast furnace. These impressive facilities represent only the first phase of Lake Erie Works. As the Daily Commercial News and Construction Record reported, "Still to come are a battery of 45 coke ovens in 1981 and

a new hot strip mill in 1983." (Coke oven construction, lower right photograph.) Completion of these developments will make Lake Erie Works a fully integrated mill, able to produce raw steel and turn it into flat rolled products for sale.



Steel slabs, like the one emerging from the slab caster behind Stelco Chairman J. Peter Gordon and President John D. Allan and those on the rail cars below, are the end result of the millions of hours of planning, engineering and construction at LEW.

Although the advanced techniques used to create these slabs impressed the media, so too did Stelco's obvious concern for the quality of air and water. The Simcoe Reformer wrote, "From the start, the protection of the environment has been a prime

concern at the Nanticoke site." A green-belt surrounds the plant; Stelco has incorporated the latest technology from around the world into the up-to-the-minute air and water quality control devices that are included on all facilities.



Employee relations

Nowhere has the crucial role played by people in the success and progress of any business enterprise been demonstrated more clearly or appropriately than by the successful designing, constructing and bringing onstream of Lake Erie Works. Planning with people in mind continues, therefore, to be accorded top priority at Stelco especially in view of the fact that this decade promises to be one of rapid and profound change.

Collective bargaining

During the year the first collective agreement was negotiated for Lake Erie Works. This agreement and many of the collective agreements at the Corporation's other major plants will expire on July 31, 1981. Upward wage and benefit adjustments were made on the anniversary dates of the various current collective agreements. Adjustments were also implemented during the year for salaried employees who are not covered by collective agreements.

Health and safety

The priority accorded occupational health and safety continued during 1980. This has been reflected in a gratifying decrease in both the frequency and severity of accidents over the past several years. Emphasis was again laid on the expansion and development of environmental monitoring and health surveillance programs and on co-operation with government in establishing standards for this area. It is a source of distinct satisfaction that the standards upon which new statutory requirements are being formulated are ones that have been accepted and pursued by Stelco for many years.

Francization

The francization program implemented by the Corporation in the Province of Quebec to comply with the requirements of the Charter of the French Language has been approved by l'Office de la langue française, the provincial agency responsible for administering the Act. This program embodies the use of French as the language of work and in external communications.

Employment Costs

Dollars in thousands

		1980	1979
Wages and Salaries	For time worked	\$537,040	\$492,963
	For vacations and statutory holidays	43,452	41,329
		\$580,492	\$534,292
Supplementary Employment Costs	Pensions	\$ 46,163	\$ 51,595
	Group insurance plans and other benefits	39,279	37,035
	Unemployment insurance and workmen's compensation	21,982	18,661
		\$107,424	\$107,291
Total Employment Costs		\$687,916	\$641,583
Average Number of Employees		25,094	25,032
Employee Benefits	Number of pensioners at year end	5,233	4,790
	Pensions paid during the year	\$ 23,561	\$ 19,756
	Life insurance in force at year end	\$669,945	\$639,711
	Death benefits paid during the year	\$ 3,354	\$ 3,102

Technology

To maintain Stelco's leading position in the industry, research, engineering, metallurgical and operating personnel seek out, assess and selectively implement new technology. Existing Stelco products and processes are improved to keep them at the desired competitive level, and new products and processes are developed to fulfill special market needs. Continued emphasis is placed on solving chronic or acute technical problems that affect profitability.

The following are some of the past year's technological highlights:

- "Nonconsumable" electrodes for electric arc steelmaking furnaces were perfected at Edmonton Steel Works. These electrodes feature a water-cooled upper section, coupled to a conventional, graphite lower section. This new configuration results in substantial cost savings because of lower consumption of expensive, petroleum-derived graphite sections.
- A new design for soaking pit recuperators was successfully tested at the Hilton Works Universal Slabbing Mill. The new design provides improved preheat temperatures and better fuel utilization during reheating of ingots for subsequent rolling.

□ Preferred chemical compositions for plate, welding wire and flux to be used in making large diameter line pipe for northern frontier service were established at the Stelform Mill, Welland Tube Works. The Corporation is now well positioned as a supplier for the Alaska Highway Gas Pipeline Project.

□ Clean steels, and improved trimming and welding procedures were developed for the production of high strength, high toughness, electric-resistance weld (ERW) pipe. This enhances the Corporation's position as a supplier of quality ERW pipe to the oil and gas industry.

□ Successful investigations aimed at developing lighter and stronger steels, primarily for the automotive industry were undertaken. Emphasis was placed on special sheet steels, offering greater stiffness and lower cost than competitive materials, and on high strength tubing for modern chassis applications.

□ The technology for making seamless tubes at Page-Hersey Works from strand cast billets produced at McMaster Works was perfected.

□ An improved rod precleaning procedure was implemented at the Continuous Rod Processing Plant, Burlington Works. The new treatment results in a significant increase in throughput of the tunnel pickling line.

□ A mechanical pipe expander, which increases the yield strength of the steel, was developed, installed and operated at the Stelco Pipe Mill. The expander uses a very advanced, high-pressure hydraulic system with a fast expansion cycle for high productivity.

□ A newly designed articulated 40 Ton Slab Carrier for our Lake Erie operations was developed as a co-operative venture by Stelco and a mobile equipment supplier. This new carrier can be used to sort, as well as carry, slabs within the plant.

Many technological developments have commercial application beyond Stelco's own use and the Corporation's Technical Service and Property Development Department has the responsibility for marketing such technology. As a result of their efforts, the licensing of the coilbox technology is progressing well. Three European, one Australian and one Canadian steel producer have purchased the right to use this technology. Another development which holds similar potential is the water cooled electrode developed at Edmonton Steel Works. Several companies have indicated interest in becoming users of Stelco's newest technology.

Environmental control

The major accomplishment in environmental control in 1980 was the successful commissioning and start-up of the extensive environmental control facilities at the new Lake Erie Works. The advanced technology employed to control emissions from stacks, as well as secondary fugitive emissions, were all brought into operation with a minimum of problems. Water is recycled to a higher degree than employed previously in any Canadian steel plant and the systems are all operating satisfactorily. The water from our final treatment plant prior to discharge into Lake Erie has been subjected not only to chemical testing but to biological testing involving on-site exposure of sensitive fish species and other organisms in the fish food chain. The effluent has met all these exacting requirements.

A new Control Order covering environmental requirements for the next few years at Hilton Works was developed with the Ministry of the Environment. The public had input to this process through a series of public information sessions, a public meeting and an additional opportunity for the submission of briefs.

Significant improvements were made during 1980 in the systems to control emissions from the Hilton Works B.O.F. Shop. At the Coke Ovens a start was made on the installation of ammonia removal equipment and a second gas collector main on No. 6 Battery.

Continuing progress was made in the monitoring of the workplace environment and in the evaluation and safe handling of chemicals used in the workplace.

Lake Erie Works

As planned Lake Erie Works was successfully started up in June, 1980 and has been producing high quality slabs at an increasing rate since that time. Other major facilities under construction at Lake Erie Works at year-end include the following:

□ Cokemaking facilities and by-product plant

The cokemaking facility will initially consist of a battery of 45 ovens, each over 6 metres in height. The battery will be equipped with the latest technology for the capturing of emissions during the pushing of coke from the ovens. A modern by-product plant is being constructed immediately north of the Coke Oven Battery. This plant will produce coke oven gas for use as a fuel within the plant, ammonia, tar and light oils. These cokemaking and by-product facilities are scheduled to start operating in late 1981.

□ 80" Hot Strip Mill

Construction will resume in 1981 on the 80 inch Hot Strip Mill. This rolling mill, which represents the largest individual project undertaken by the Corporation, is scheduled to start production during

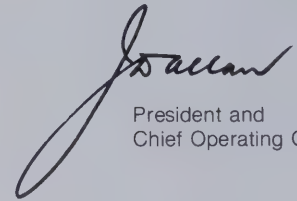
1983. The design of the Mill includes a number of innovative, high-technology features, including:

- the Stelco developed coilbox which conserves energy by requiring less horsepower than conventional rolling mills during the rolling of equivalent products.
- full computer control over the rolling process, so that high-quality strip can be uniformly and consistently produced with a minimum of yield loss.
- a slab reheating furnace which heats slabs uniformly and consistently with a minimum consumption of fuel.

During the year many additional supporting facilities for the production units were brought into successful operation. These included the Primary Maintenance facilities, the Blowdown Water Treatment Plant, the Chemical Laboratory and the Fire Hall.

Industrial Park

Businesses now operating in the park include an oxygen plant serving Stelco's steelmaking facilities, a machine shop, hardware supplier, a bank, a credit union, and a restaurant. Aggressive promotion of the Industrial Park has attracted the attention of a growing number of domestic and foreign companies who are interested in expanding to meet the expected growth of the marketplace in the 1980's.



President and
Chief Operating Officer.

Toronto, Canada
February 16, 1981

In spite of intense overseas competition, Canadian shipyards produced many new vessels in 1980. One, the self-unloading freighter MV Nanticoke, is seen, top, undergoing dock trials at the Collingwood shipyard early in 1980, prior to her maiden

voyage. Newly constructed coal cars are seen in the lower photograph. The growing use of coal in industry is necessitating the manufacture of increasing numbers of coal cars. In addition, railway carmakers are busy manufacturing grain hopper cars to

fulfill Federal Government orders. As many as ten thousand such cars may be built in the next five years. Both types of rolling stock make extensive use of Stelcoloy 70, a lightweight, high strength steel developed by Stelco specifically for car use.



Stelco Inc.**Consolidated Statement of Income and Retained Earnings**

Years ended December 31
(Thousands of Dollars)

	1980	1979
Revenue		
Sales	\$2,228,620	\$2,091,213
Equity in net income of corporate joint ventures and partnerships	5,808	9,420
Income from short-term investments	11,433	12,734
	<u>2,245,861</u>	<u>2,113,367</u>
Expense		
Cost of sales, exclusive of the following items	1,828,567	1,675,623
Administrative and selling	110,983	98,703
Research and development	8,117	7,017
Depreciation	70,315	60,496
Interest on long-term debt	55,321	52,468
Other interest	896	188
Income taxes — current	9,423	11,721
— deferred	30,054	50,259
	<u>2,113,676</u>	<u>1,956,475</u>
Net Income for the Year	132,185	156,892
Retained Earnings at beginning of year	869,085	777,151
	<u>1,001,270</u>	<u>934,043</u>
Dividends (Note 10)	83,483	64,852
Expenses relating to issue of preferred shares (after deducting income taxes of \$4,471 in 1980, \$101 in 1979)	4,668	106
Retained Earnings at end of year	\$ 913,119	\$ 869,085
 Net income per common share (Note 1)	 \$4.05	 \$5.74
Net income per common share — fully diluted (Note 1)	\$3.88	N/A

Consolidated Statement of Financial Position

At December 31
(Thousands of Dollars)

	1980	1979
Current Assets		
Cash	\$ 7,564	\$ 4,466
Short-term investments, at cost (approximates market value)	248,135	27,840
Accounts receivable	329,609	284,579
Inventories (Note 2)	701,905	614,138
Prepaid expenses	1,570	3,798
	<u>1,288,783</u>	<u>934,821</u>
Current Liabilities		
Accounts payable and accrued	279,472	248,794
Income and other taxes	38,360	43,130
Cash dividends payable	26,628	20,757
Long-term debt due within one year (Note 5)	13,657	5,011
	<u>358,117</u>	<u>317,692</u>
Working Capital	<u>930,666</u>	<u>617,129</u>
Other Assets		
Long-term intercorporate investments (Note 3)	78,397	77,141
Fixed assets, less accumulated depreciation (Note 4)	1,517,277	1,397,378
Unamortized long-term debt issue expense	7,105	5,657
	<u>1,602,779</u>	<u>1,480,176</u>
Total Investment	<u>2,533,445</u>	<u>2,097,305</u>
Other Liabilities		
Long-term debt (Note 5)	580,970	490,394
Deferred income taxes	389,780	364,197
	<u>970,750</u>	<u>854,591</u>
Shareholders' Equity		
Derived from:		
Capital Stock (Note 10)		
Preferred Shares	\$ 508,017	\$ 233,100
Common Shares	140,854	140,529
Stock dividend to be issued	705	—
Retained Earnings	<u>913,119</u>	<u>869,085</u>
	<u>\$1,562,695</u>	<u>\$1,242,714</u>

On behalf of the Board:

Gordon
Director

Jo Allan
Director

Consolidated Statement of Changes in Financial Position

Years ended December 31
(Thousands of Dollars)

	1980	1979
Source of Working Capital		
Current operations		
Net income	\$ 132,185	\$ 156,892
Depreciation	70,315	60,496
Deferred income taxes	30,054	50,259
Unremitted equity income	(2,063)	(3,537)
	<u>230,491</u>	<u>264,110</u>
Net proceeds from issue of preferred shares	267,636	32,893
Net proceeds from issue of long-term debt	108,135	—
Other (net)	2,701	1,901
	<u>608,963</u>	<u>298,904</u>
Disposition of Working Capital		
Expenditures for fixed assets	192,497	193,725
Long-term intercorporate investments (net)	(807)	10,277
Reduction of long-term debt	19,424	6,506
Purchase of preferred shares (Note 10)	1,534	—
Cash dividends (Note 10)	82,778	64,852
	<u>295,426</u>	<u>275,360</u>
Increase in Working Capital	313,537	23,544
Working Capital at beginning of year	617,129	593,585
Working Capital at end of year	\$ 930,666	\$ 617,129
Changes in Working Capital		
Current Assets		
Cash	\$ 3,098	\$ (27,819)
Short-term investments	220,295	(125,286)
Accounts receivable	45,030	45,520
Inventories	87,767	144,979
Prepaid expenses	(2,228)	(738)
	<u>353,962</u>	<u>36,656</u>
Current Liabilities		
Accounts payable and accrued	30,678	7,971
Income and other taxes	(4,770)	(1,588)
Cash dividends payable	5,871	4,024
Long-term debt due within one year	8,646	2,705
	<u>40,425</u>	<u>13,112</u>
Working Capital Increase	\$ 313,537	\$ 23,544

Notes to Consolidated Financial Statements

December 31, 1980

1. Summary of Significant Accounting Policies

Principles of Consolidation The consolidated financial statements include the accounts of Stelco Inc. and its subsidiaries, all of which are wholly owned. Also included are the Corporation's pro-rata portions of the assets, liabilities and expenses of its unincorporated joint ventures. (See Note 3, also see page 33 for listing of Subsidiary Companies and Unincorporated Joint Ventures.)

Corporate joint ventures and partnerships, in all of which the Corporation has an interest of 50% or less, are accounted for by the equity method. (See Note 3, also see page 33 for listing of Corporate Joint Ventures and Partnerships.)

Foreign Currencies Current assets and liabilities originating in foreign currencies are translated at year-end exchange rates. All other assets and liabilities originating in foreign currencies are translated at rates prevailing when the assets were acquired or the liabilities incurred. Income and expense items other than depreciation are translated at average rates prevailing during the year. The gains or losses resulting from these translations are reflected in the Consolidated Statement of Income.

Inventories Inventories are valued at the lowest of cost, replacement cost and net realizable value. Physical quantities are confirmed at least once a year by count except for certain raw materials confirmed by aerial survey.

Fixed Assets and Depreciation Fixed assets are recorded at historical cost and include construction in progress. Depreciation is provided using the straight-line method applied to the cost of the assets at rates based on their estimated useful life and beginning from the point when production commences. Construction in progress on which no depreciation has been recorded amounted to \$270.0 million (\$776.3 million at December 31, 1979). The following annual depreciation rates are in effect:

Buildings	2½ to 5%
Equipment	6 to 7½%
Automotive and mobile equipment	10 to 20%
Raw material plants and properties	4½ to 5%

Research and Development Expenditures for research and development are expensed as incurred.

Interest The interest cost of financing both working capital and capital expenditures is expensed as incurred.

Income Taxes Income taxes are provided on the tax allocation basis, and the resultant deferred income taxes are due principally to claiming depreciation for tax purposes in excess of straight-line depreciation. Investment tax credits are recorded by the "flow-through" method which recognizes such credits in the year in which they are claimed for tax purposes by a reduction of income taxes expense.

Net Income Per Common Share Net income per common share has been computed on the basis of net income for the year, less dividends on the preferred shares, divided by the weighted average of total Series A and Series B Convertible Common Shares outstanding during the year. Fully diluted net income per common share has been computed by:

- (i) adding back dividends on the convertible preferred shares to earnings available for common shares and
- (ii) dividing by the weighted average of total Series A and Series B Convertible Common Shares outstanding during the year (assuming that all convertible preferred shares outstanding at the end of the year were converted into Series A Convertible Common Shares at the earliest date at which the preferred shares were outstanding during the year).

2. Inventories

	1980 (in thousands)	1979 (in thousands)
Raw materials and supplies	\$ 349,033	\$ 339,195
Finished and semi-finished products	352,872	274,943
	<u>\$ 701,905</u>	<u>\$ 614,138</u>

3. Long-term Intercompany Investments and Related Commitments**(a) Investments**

	1980 (in thousands)	1979 (in thousands)
Corporate joint ventures and partnerships, at equity	\$ 68,214	\$ 67,104
Portfolio investments, at cost	10,183	10,037
(quoted market value 1980 — \$20.6 million, 1979 — \$15.2 million)		
	<u>\$ 78,397</u>	<u>\$ 77,141</u>

Notes to Consolidated Financial Statements (continued)

December 31, 1980

3. (continued)

(b) Joint Ventures and Partnerships

Substantially, the joint ventures and partnerships are an integral part of steel operations and exist to provide raw materials, certain finishing operations and some administrative services. Accordingly, to avoid duplication in the disclosure of sales, such transactions between the Corporation and the joint ventures and partnerships are accounted for in the Consolidated Statement of Income by:

- (i) Including the cost of materials, operations and services provided by the joint ventures and partnerships in "Cost of sales" or "Administrative" expense as appropriate.
- (ii) Disclosing the Corporation's share of the annual net income of corporate joint ventures and partnerships as a separate item of "Revenue".

The following is a summary of the Corporation's proportionate share of the financial position of the joint ventures and partnerships:

	Unincorporated Joint Ventures	Corporate Joint Ventures and Partnerships	1980 (in thousands) Total	1979 (in thousands) Total
Assets	\$ 76,488	\$ 216,332	\$ 292,820	\$ 293,584
Liabilities	8,044	148,118	156,162	158,586
Equity	<u>\$ 68,444</u>	<u>\$ 68,214</u>	<u>\$ 136,658</u>	<u>\$ 134,998</u>

Included in the liabilities of the corporate joint ventures and partnerships is \$112.4 million of long-term debt against which certain assets relating to those entities have been pledged.

(c) Commitments

The Corporation, as a participant in certain of the corporate joint ventures and partnerships, is entitled to receive its proportionate share of coal and iron ore produced and is committed to pay its share of their costs, including minimum charges for principal and interest to cover the servicing of their long-term debt. The Corporation's share of such minimum charges averages US \$11 million annually to 1996.

4. Fixed Assets

	1980 (in thousands)	1979 (in thousands)
Raw material plants and properties, at cost	\$ 267,038	\$ 261,947
Manufacturing plants and properties, at cost	<u>2,222,190</u>	<u>2,041,759</u>
	2,489,228	2,303,706
Less accumulated depreciation	<u>971,951</u>	<u>906,328</u>
	<u>\$1,517,277</u>	<u>\$1,397,378</u>

5. Long-term Debt

	1980 (in thousands)	1979 (in thousands)
5½% sinking fund debentures due May 1, 1990	\$ 34,868	\$ 36,541
9¼% sinking fund debentures due November 1, 1990	51,848	53,142
10½% sinking fund debentures due September 15, 1994	60,416	64,490
9¾% sinking fund debentures due April 1, 1995	96,029	100,000
10¼% sinking fund debentures due April 30, 1996	100,000	100,000
10% notes due October 15, 1987 (1980 — US \$13 million, 1979 — US \$15 million) . .	13,749	15,060
10¾% sinking fund notes due November 20, 1995 (1980, 1979 — US \$125 million) . .	127,717	126,172
13½% sinking fund debentures due October 1, 2000	110,000	—
	594,627	495,405
Less amount due within one year, net of prepayments	<u>13,657</u>	<u>5,011</u>
	<u>\$ 580,970</u>	<u>\$ 490,394</u>

After allowing for prepayments, annual sinking fund and other repayments over the next five years amount to \$13.7 million in 1981, \$22.5 million in 1982, \$23.0 million in 1983, \$24.6 million in 1984 and \$31.2 million in 1985.

Translation of the long-term debt payable in United States funds at December 31 rates of exchange would increase the long-term debt by \$23.8 million for 1980 and \$21.9 million for 1979. This is not necessarily indicative of the amount which will be repaid when the obligations are retired.

6. Capital Programs

The estimated cost to complete approved capital programs, including programs approved in principle, is \$655 million, which will be spent over a period of four to five years. This includes an estimated amount of \$175 million to cover inflation in construction costs and other contingencies.

7. Retirement Plans

Pension costs charged against income in the year under the Corporation's pension plans include payments made to trust funds for current and past service requirements as determined by an independent actuary. Unfunded past service costs in respect of pensions ultimately payable to the present employees are estimated to be \$167 million at December 31, 1980. This amount is being funded over periods not exceeding fifteen years.

8. Lease Commitments

Capital Leases At December 31, 1980, the Corporation had no significant capital lease commitments.

Operating Leases Future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year at December 31, 1980 are:

	(in thousands)
1981	\$ 4,870
1982	4,019
1983	3,408
1984	3,215
1985	2,732
Subsequent to 1985	19,928
Total	<u>\$38,172</u>

9. Segmented Information

The Corporation operates exclusively as a vertically integrated producer of a wide range of steel products which is its only line of business and dominant segment. Export sales of domestic production to foreign countries amounted to \$469 million in 1980 (\$347 million in 1979).

10. Capital Stock and Dividends

(a) Continuance Under the Canada Business Corporations Act

Stelco Inc. (formerly The Steel Company of Canada, Limited) has been continued pursuant to the Canada Business Corporations Act by Certificate of Continuance dated June 27, 1980. The Corporation is authorized to issue in series an unlimited number of Preferred Shares and Common Shares without nominal or par value.

(b) Preferred Shares

	Number of Shares	1980 Stated Capital (in thousands)	Number of Shares	1979 Stated Capital (in thousands)
Outstanding — Series A	8,000,000	\$200,000	8,000,000	\$200,000
— Series B	1,983,650	49,591	1,324,000	33,100
— Convertible Series C	5,937,020	148,426	—	—
— Series D	4,400,000	110,000	—	—
	<u>20,320,670</u>	<u>\$508,017</u>	<u>9,324,000</u>	<u>\$233,100</u>

Series A

These shares are entitled to a cumulative floating rate dividend, calculated and payable on a quarterly basis. The rate equals the sum of 1¼% and one-half the median Canadian bank prime rate charged by certain Canadian chartered banks.

The shares are redeemable on or after May 1, 1980 at \$25.75 per share, reducing by \$0.1875 annually on May 1, to \$25.00 per share.

The shares are retractable at \$25.00 per share at the holder's option, on May 1 in each of the years 1987, 1992 and 1997.

Series B

On October 3, 1979, 1,324,000 Preferred Shares Series B were issued for cash and 721,000 shares were issued for cash on February 1, 1980.

These shares are entitled to a fixed cumulative dividend at the rate of \$1.94 per share annually payable in equal quarterly instalments.

The shares are redeemable on or after November 1, 1984 at \$26.25 per share, reducing by \$0.25 annually on November 1, to \$25.00 per share.

On November 1 each year, the Corporation is required to purchase at \$25.00 per share 61,350 Series B Preferred Shares, if tendered.

Notes to Consolidated Financial Statements (continued)

December 31, 1980

10. (continued)

Convertible Series C

On April 1, 1980, 5,950,000 Convertible Preferred Shares Series C were issued for cash.

These shares are convertible into Series A Convertible Common Shares of the Corporation at any time on or before April 30, 1990, at a conversion price of \$33.75 per share, subject to adjustment in certain events.

The shares are entitled to a fixed cumulative dividend at the rate of \$1.94 per share annually payable in equal quarterly instalments.

The shares are redeemable at \$26.25 per share on and after May 1, 1983 and prior to May 1, 1985, only if the weighted average price at which the Series A Convertible Common Shares traded in a specified period was not less than 125% of the conversion price then in effect. The shares are redeemable on or after May 1, 1985 at \$26.25 per share, reducing by \$0.25 annually on May 1, to \$25.00 per share.

Commencing July 1, 1990, the Corporation is required to make all reasonable efforts to purchase during each calendar quarter, at a price not exceeding \$25 per share plus unpaid dividends and costs of purchase, 1% of the number of these shares outstanding on April 30, 1990. The resulting annual obligation expires December 31 in each year.

Series D

On October 1, 1980, 4,400,000 Preferred Shares Series D were issued for cash.

These shares are entitled to a fixed cumulative dividend at the rate of \$2.50 per share annually payable in equal quarterly instalments.

The shares are redeemable on and after November 1, 1985 at \$26 per share, reducing by \$0.20 annually on November 1, to \$25 per share.

The shares are retractable at the option of the holder on November 1, 1985 and 1990 at a price of \$25 per share.

The Corporation may elect in 1985 and 1990 to create further series of Preferred Shares ("1985 Series" and "1990 Series") into which the Preferred Shares Series D would be convertible on a share-for-share basis on and after the retraction date and having the same attributes in all material respects as the Preferred Shares Series D except that the dividend rate may be increased effective November 1, 1985 and increased or decreased effective November 1, 1990 and, in either case, the redemption price may be increased and a further non-call period may be provided.

During each calendar quarter the Corporation is required to make all reasonable efforts to purchase, at a price not exceeding \$25 per share plus costs of purchase:

- (i) from January 1, 1981 to December 31, 1985, 22,000 Preferred Shares Series D;
- (ii) from January 1, 1986 to December 31, 1990, 0.75% of the number of Preferred Shares Series D outstanding at the close of business on November 1, 1985; and
- (iii) commencing January 1, 1991, 1.25% of the number of Preferred Shares Series D outstanding at close of business on November 1, 1990.

This purchase obligation is cumulative only within each calendar year, and would attach equally to shares of the 1985 Series and the 1990 Series as the case may be.

(c) Common Shares

	Number of Shares	1980 Stated Capital (in thousands)	Number of Shares	1979 Stated Capital (in thousands)
Outstanding — Series A Convertible	23,677,141	\$134,897	23,647,440	\$134,469
— Series B Convertible	1,045,570	5,957	1,065,659	6,060
	<u>24,722,711</u>	<u>\$140,854</u>	<u>24,713,099</u>	<u>\$140,529</u>

Series A and Series B

The Convertible Common Shares of each series are voting, convertible into one another on a share-for-share basis and rank equally in all respects except that, commencing with the dividend payable February 2, 1981, it is the intention of the Corporation that dividends on the Series B Convertible Common Shares be payable by way of a stock dividend in Series B Convertible Common Shares in accordance with the conditions attaching to such shares and that dividends on the Series A Convertible Common Shares be payable in cash.

10. (continued)

(d) Purchase and Conversion of Preferred Shares

On November 1, 1980, under terms of the issue (see section (b) above), the Corporation purchased 61,350 Preferred Shares Series B at \$25.00 per share for a total consideration of \$1,533,750.

During the year, under terms of the conversion privileges (see section (b) above), 12,980 Convertible Preferred Shares Series C with a stated capital of \$324,500 were converted into 9,612 Series A Convertible Common Shares.

Under the terms of such conversion privileges the 5,937,020 Convertible Preferred Shares Series C with a stated capital of \$148,425,500 outstanding at December 31, 1980 could have been converted into 4,397,793 Series A Convertible Common Shares.

(e) Dividends

Dividends declared, including extra distributions on common shares, consisted of the following:

	1980 (in thousands)	1979 (in thousands)
Preferred Shares		
Series A (per share 1980 — \$2.10268, 1979 — \$1.82268)	\$16,821	\$14,581
Series B (per share 1980 — \$1.94, 1979 — \$0.63788)	3,938	845
Convertible Series C (per share 1980 — \$1.617)	9,614	—
Series D (per share 1980 — \$0.8356)	3,677	—
	34,050	15,426
Common Shares		
(per share 1980 — \$2.00, 1979 — \$2.00)		
Series A	47,382	47,114
Series B (includes stock dividend 1980 — \$705, 1979 — nil)	2,051	2,312
	49,433	49,426
	\$83,483	\$64,852

11. Related Party Transactions

Related party transactions occurring during the year 1980 and balances outstanding at December 31, 1980 both resulting from transactions with various entities recorded as long-term intercorporate investments (see Note 3(a)) are as follows:

	(in thousands)
(a) During the year 1980	
Materials and services purchased	\$161,366
Capital repayments	180
Dividends and interest received	5,073
(b) At December 31, 1980	
Capital advances	\$ 42,595
Accounts payable	749
Demand notes receivable	7,875

The corporate joint ventures and partnerships, which are accounted for on an equity basis, exist to provide certain raw materials, finishing operations and administrative services. (See also Note 3.)

Auditors' Report

**THORNE
RIDDELL**

Chartered Accountants

To The Shareholders
Stelco Inc.

We have examined the consolidated statement of financial position of Stelco Inc. at December 31, 1980 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell

Toronto, Canada
January 26, 1981

Ten Year Statistical Summary

Dollars in millions except as indicated*

stelco

	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Operations (thousands of net tons)										
Raw steel produced	6,278	5,862	5,533	5,640	5,724	5,396	5,542	5,723	5,031	4,673
Total raw steel processed (including purchases)	6,109	6,306	6,199	5,490	5,669	5,263	5,837	6,035	5,362	5,214
Steel shipments	4,529	4,553	4,466	3,995	4,028	3,706	4,078	4,204	3,797	3,689
Income and Related Data										
Sales	\$ 2,228.6	2,091.2	1,775.7	1,444.1	1,359.8	1,201.8	1,133.2	937.7	775.9	730.2
Administrative and selling	\$ 111.0	98.7	88.5	81.8	75.2	66.2	57.5	46.9	40.9	35.2
Depreciation	\$ 70.3	60.5	56.7	55.1	54.9	51.4	52.1	46.7	39.7	37.1
Interest on long-term debt	\$ 55.3	52.5	52.5	51.4	46.8	24.2	10.2	8.2	8.4	8.5
Income taxes	\$ 39.5	62.0	39.3	1.6	17.0	36.4	57.8	56.6	22.9	43.8
Net income	\$ 132.2	156.9	111.9	81.9	77.3	82.6	110.9	87.7	67.1	66.6
Per common share ⁽¹⁾ —	*\$ 4.05	5.74	4.07	3.02	3.13	3.35	4.50	3.56	2.73	2.74
— fully diluted	*\$ 3.88	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Return on sales	% 5.9	7.5	6.3	5.7	5.7	6.9	9.8	9.4	8.6	9.1
Return on average investment ⁽²⁾	% 6.9	9.1	7.3	6.3	6.7	7.4	10.8	9.7	8.2	8.5
Return on average common shareholders' equity ⁽¹⁾	% 9.7	14.7	11.3	8.8	9.5	10.7	15.5	13.5	11.2	11.9
Dividends declared — preferred	\$ 34.0	15.4	11.5	8.2	—	—	—	—	—	—
— common	\$ 49.4	49.4	43.2	42.0	42.0	42.0	38.2	32.0	30.8	30.4
Per common share	*\$ 2.00	2.00	1.75	1.70	1.70	1.70	1.55	1.30	1.25	1.25
Earnings reinvested in the business	\$ 48.8	92.0	57.2	31.7	35.3	40.6	72.7	55.7	36.3	36.2
Capital Expenditures	\$ 191.7	204.0	145.3	144.6	172.5	232.8	135.5	116.5	95.0	95.1
Financial Position, year end										
Working capital	\$ 930.7	617.1	593.6	603.3	457.5	380.1	301.1	218.5	199.5	203.7
Fixed assets — net	\$ 1,517.3	1,397.4	1,265.7	1,186.1	1,102.0	990.5	812.1	734.1	671.8	621.3
Long-term debt	\$ 581.0	490.4	496.9	501.3	504.4	361.1	165.5	103.8	105.0	107.8
Preferred shareholders' equity	\$ 508.0	233.1	200.0	200.0	—	—	—	—	—	—
Common shareholders' equity	\$ 1,054.7	1,009.6	917.7	860.3	829.3	793.9	752.1	679.0	622.9	579.9
Per common share	*\$ 42.66	40.85	37.13	34.83	33.57	32.14	30.50	27.56	25.30	23.82
Employment										
Average number of employees	25,094	25,032	23,712	22,942	22,691	23,192	23,251	22,580	21,582	21,351
Total employment costs	\$ 687.9	641.6	559.0	495.0	459.0	401.9	350.6	308.2	264.5	234.5
Employees' average weekly earnings ⁽³⁾	*\$ 443.94	408.75	374.98	343.67	320.90	280.85	249.15	224.63	204.46	186.35
Number of Common Shareholders, year end	36,040	40,495	38,147	36,408	36,501	37,864	39,086	39,331	40,036	45,829

(1) After preferred dividends in 1980 to 1977 inclusive. (See Note 1 on page 25 for explanation of computation of net income per common share.)

(2) After adding back interest on long-term debt (net of tax) to Net Income.

(3) Excludes the cost of supplementary employment benefits.

Directors and Officers

At December 31, 1980

Directors

* J.D. Allan, Toronto
President and Chief Operating Officer
of the Corporation

Alex E. Barron, Toronto
President, Canadian General
Investments Limited

A. Jean de Grandpré, Q.C., Montreal
Chairman of the Board and
Chief Executive Officer, Bell Canada

Thomas M. Galt, Toronto
Chairman and Chief Executive Officer,
Sun Life Assurance Company of Canada

* J. Douglas Gibson, O.B.E., Toronto
Corporate Director

* J. Peter Gordon, Toronto
Chairman of the Board and
Chief Executive Officer of the Corporation

* A.J. MacIntosh, Q.C., Toronto
Partner, Messrs. Blake, Cassels & Graydon,
Barristers & Solicitors

† Senator The Hon. Ernest C. Manning,
P.C., C.C., Edmonton
Chairman, Manning Consultants Limited

Frederick C. Mannix, Calgary
Corporate Director

† William F. McLean, Toronto
Chairman of the Board, Canada Packers Inc.

* † D.R. McMaster, Q.C., Montreal
Counsel, Messrs. McMaster Meighen,
Barristers & Solicitors

Lucien G. Rolland, Montreal
President and Chief Executive Officer,
Rolland inc.

Henry G. Thode, C.C., Ph.D., F.R.S.
Hamilton
Professor Emeritus, McMaster University

† Kenneth A. White, C.D., Toronto
Chairman, President and Chief Executive Officer,
Royal Trustco Limited

* William H. Young, Hamilton
President, The Hamilton Group Limited

* Member of the Executive Committee

† Member of the Audit Committee

Executive Officers

J.P. Gordon
Chairman of the Board and
Chief Executive Officer

J.D. Allan
President and Chief Operating Officer

A.J. Harris
Vice-President, Engineering, Research
and Purchasing

R.E. Heneault
Vice-President, Administration

G.H.G. Layt
Vice-President, Operations

A.R. McMurrich
Vice-President, Marketing and
Corporate Planning

H.J.M. Watson
Vice-President, Finance

J.W. Younger, Q.C.
Vice-President, Secretary and General Counsel

Vice-Presidents and Other Officers

W.C. Ashcroft
Assistant Treasurer

G. Binnie
Comptroller

G.W.R. Bowlby
Vice-President — Sales

K. Coles
Vice-President — Manufacturing

W.A. Darby
Assistant Comptroller — Corporate Accounting

J.E. Hood
Vice-President — Manufacturing

L.M. Killaly
Assistant Secretary

P.D. Matthews
Treasurer

A.G. Northcott
Assistant Comptroller — Works Accounting

Head Office

Royal Trust Tower, Toronto-Dominion Centre,
Toronto, Ontario, M5K 1J4.

General Offices

Hamilton, Ontario
Montreal, Quebec — Eastern Region
Edmonton, Alberta — Western Region

Sales Offices

Hamilton, Ontario
Montreal, Quebec
Calgary, Alberta
Edmonton, Alberta
Quebec, Quebec
Regina, Saskatchewan
Saint John, New Brunswick
St. John's, Newfoundland
Vancouver, British Columbia
Windsor, Ontario
Winnipeg, Manitoba

Plants

Hamilton, Ontario
Hilton Works
Canada Works
Canadian Drawn Works
Frost Works
Parkdale Works
Beachville, Ontario
Chemical Lime Works
Brantford, Ontario
Brantford Works
Burlington, Ontario
Burlington Works
Gananoque, Ontario
Gananoque Works
Nanticoke, Ontario
Lake Erie Works
Red Lake, Ontario
The Griffith Mine
Toronto, Ontario
Swansea Works
Welland, Ontario
Page-Hersey Works
Welland Tube Works
Contrecoeur, Quebec
McMaster Works
Lachine, Quebec
Dominion Works
Montreal, Quebec
Notre Dame Works
St. Henry Works
Camrose, Alberta
Camrose Works
Edmonton, Alberta
Stelco Edmonton, Steel Works
Stelco Edmonton, Finishing Works
Regina, Saskatchewan
Stelco Fabricators Ltd.

Research Centre

Burlington, Ontario

Subsidiary Companies, wholly owned

Stelco Fabricators Ltd., Regina, Sask.
Frost Steel and Wire Company, Limited,
Hamilton, Ont.
Clôture Frost Inc. — Frost Fence Inc.,
Montreal, Que.
Durastal Installations Limited,
Montreal, Que.
The Steel Company of Canada, Limited,
Toronto, Ont.
Stelco Technical Services Limited,
Hamilton, Ont.
Stelco Coal Holding Company, Cleveland, Ohio
Stelco Coal Company, Pittsburgh, Pa.
Pikeville Coal Co., Louisville, Ky.
(Chisholm Mine)
Kanawha Coal Company, Ashford, W. Va.
(Madison Mine)
Ontario Eveleth Company, Minneapolis, Minn.
Ontario Hibbing Company, Minneapolis, Minn.
Stelco Erie Corporation, Minneapolis, Minn.
Stelco Nederland B.V., Amsterdam,
The Netherlands
Stelco S.A., Geneva, Switzerland
The Steel Company of Canada (U.K.), Limited,
London, England
Can Hamilton Trading Limited,
London, England
Ubbelohde-Stelco S.A.C.I. y de R.,
Buenos Aires, Argentina
Stelco do Brasil Ltda., São Paulo, Brazil
Stelco de Venezuela, S.R.L.,
Caracas, Venezuela

Unincorporated Joint Ventures

	% Owned
Wabush Mines, Nfld. & Que.	25.6
Hibbing Taconite Company, Minn.	6.7
Elk River Coal Project, B.C.	25.0

Corporate Joint Ventures and Partnerships

	% Owned
Iron Ore	
Tilden Iron Ore Partnership, Mich.	15.6
Erie Mining Company, Minn.	10.0
Eveleth Expansion Company, Minn.	23.5
Ontario Iron Company, Minn.	10.0
Coal	
Mathies Coal Company, Pa.	13.3
Beckley Coal Mining Company, W. Va.	12.5
Olga Coal Company, W. Va.	10.0
Other	
Baycoat Limited, Ont.	50.0
Canada Systems Group Limited, Ont.	33.3
Torcad Limited, Ont.	50.0
Fers et Métaux Recyclés Ltée, Que.	50.0
Arnaud Railway Company, Que.	25.6
Wabush Lake Railway Company, Limited, Nfld.	25.6
Knoll Lake Minerals Limited, Nfld.	14.9
Northern Land Company Limited, Nfld.	12.8
Twin Falls Power Corporation, Limited, Nfld.	4.4

Registrar

THE ROYAL TRUST COMPANY
Toronto, Montreal, Halifax, Hamilton,
Winnipeg, Regina, Edmonton, Vancouver

Transfer Agent

MONTREAL TRUST COMPANY
Toronto, Montreal, Halifax, Hamilton,
Winnipeg, Regina, Edmonton, Vancouver

Annual Meeting

The Annual Meeting of the Shareholders of the Corporation will be held at Commerce Hall (concourse level), Commerce Court West, in Toronto at 10:30 a.m., local time, on Monday, April 27, 1981.

stelco